

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name City of Ishpeming, Michigan		County Marquette
Audit Date 12/31/05	Opinion Date 2/24/06	Date Accountant Report Submitted to State: 6/22/06		

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASL GU).	✓		

Certified Public Accountant (Firm Name) Anderson, Taekman & Co, PLC			
Street Address 102 W. Washington, Suite 109	City Marquette	State MI	ZIP 49855
Accountant Signature Debecca Hills, CPA			

CITY OF ISHPEMING, MICHIGAN
FINANCIAL STATEMENTS
For the Year Ended December 31, 2005

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ANDERSON, TACKMAN & COMPANY, P.L.C.

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members
of the City Council
City of Ishpeming, Michigan
Ishpeming, Michigan 49849

We have audited the financial statements of the governmental activities, business-type activities, discretely presented component units, major funds, and remaining fund information, which collectively comprise the basic financial statements of the City of Ishpeming, Michigan, as of and for the year ended December 31, 2005, as listed in the table of contents. These financial statements are the responsibility of the City of Ishpeming, Michigan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards, require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, business-type activities, discretely presented component units, major funds, and remaining fund information of the City of Ishpeming, Michigan at December 31, 2005, and the changes in financial position and cash flows, where applicable, of those activities and funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management Discussion and Analysis and budgetary comparison information on pages 6 through 11 and 44 through 45 are not a required part of the basic financial statements but is supplemental information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods and measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 24, 2006 on our consideration of City of Ishpeming's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

To the Honorable Mayor and Members
of the City Council
City of Ishpeming, Michigan

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The combining and individual fund financial schedules listed as other financial information in the table of contents are presented for purpose of additional analysis and is not a required part of basic financial statements of the City of Ishpeming, Michigan. The information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

February 24, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of the City of Ishpeming's financial performance provides an overview of the City's financial activities for the year ended December 31, 2005. Please read it in conjunction with the financial statements, which begin on page 12.

FINANCIAL HIGHLIGHTS

- Net assets for the City as a whole increased by \$112,650 as a result of this year's operations. Net assets of our business-type activities decreased by \$(347,185), or 2 percent, and net assets of our governmental activities increased by \$459,835, or 10 percent.
- During the year, the City had expenses for governmental activities that were \$4,745,389 and generated \$5,205,224 in general revenues and other program sources.
- The City's business-type activities had expenses of \$2,584,163 and generated \$2,236,978 in revenues.
- The general fund reported a net change in fund balance of \$(99,794). This is \$18,854 higher than the forecasted decrease of \$(80,940).

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 12 and 13) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 14. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for the future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside the government.

Reporting the City as a Whole

Our analysis of the City as a whole begins on page 8. One of the most important questions asked about the City's finances is "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the City's *net assets* and changes in them. You can think of the City's net assets - the difference between assets and liabilities - as one way to measure the City's financial health, or *financial position*. Over time, *increases or decreases* in the City's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the City's patron base and the condition of the City's capital assets, to assess the *overall financial health* of the City.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

In the Statement of Net Assets and the Statement of Activities, we divide the City into three kinds of activities:

- *Governmental activities* – Most of the City's basic services are reported here, including the police, fire, public works and parks departments, and general administration. Property taxes, charges for services and state sources fund most of these activities.
- *Business-type activities* – The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's sewer, water and ambulance systems and activities are reported here.
- *Component units* – The City includes two separate legal entities in its report – the Downtown Development Authority and the Ishpeming Housing Commission. Although legally separate, these "component units" are important because the City is financially accountable for them.

Reporting the City's Most Significant Funds

Our analysis of the City's major funds begins on page 10. The fund financial statements begin on page 14 and provide detailed information on the most significant funds – not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, the City Commission establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using taxes, grants, and other money. The City's two kinds of funds – *governmental* and *proprietary* – use different accounting approaches.

- *Governmental funds* – Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed *short-term view* of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and Statement of Activities) and governmental *funds* in a reconciliation which follows the fund financial statements.
- *Proprietary funds* – When the City charges customers for the services it provides – whether to outside customers or to other units of the City – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

The City as Trustee

The City is the trustee, or fiduciary, for assets that – because of a trust arrangement – can be used only for the trust beneficiaries. All of the City's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 21 and 22. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

The City as a Whole

Table I provides a summary of the City's net assets as of December 31, 2005 and 2004.

Table 1
Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Current and other assets	\$3,782,403	\$3,890,814	\$1,572,075	\$1,500,730	\$5,354,478	\$5,391,544
Noncurrent assets	352,375	319,048	6,043,366	6,104,656	6,395,741	6,423,704
Capital assets, net	<u>5,204,532</u>	<u>4,621,682</u>	<u>9,669,604</u>	<u>10,013,529</u>	<u>14,874,136</u>	<u>14,635,211</u>
Total Assets	<u>9,339,310</u>	<u>8,831,544</u>	<u>17,285,045</u>	<u>17,618,915</u>	<u>26,624,355</u>	<u>26,450,459</u>
Current Liabilities	2,062,437	2,120,400	210,157	196,842	2,272,594	2,317,242
Noncurrent liabilities	<u>2,374,709</u>	<u>2,268,815</u>	-	-	<u>2,374,709</u>	<u>2,268,815</u>
Total Liabilities	<u>4,437,146</u>	<u>4,389,215</u>	<u>210,157</u>	<u>196,842</u>	<u>4,647,303</u>	<u>4,586,057</u>
Net Assets:						
Invested in capital assets, net of related debt	3,514,532	3,132,682	15,712,970	16,118,184	19,227,502	19,250,866
Restricted	866,296	804,968	-	-	866,296	804,968
Unrestricted	<u>521,336</u>	<u>504,679</u>	<u>1,361,918</u>	<u>1,303,889</u>	<u>1,883,254</u>	<u>1,808,568</u>
Total net Assets	<u>\$4,902,164</u>	<u>\$4,442,329</u>	<u>\$17,074,888</u>	<u>\$17,422,073</u>	<u>\$21,977,052</u>	<u>\$21,864,402</u>

Net assets of the City's governmental activities stood at \$4,902,164. *Unrestricted* net assets—the part of net assets that could be used to finance day-to-day activities without constraints established by debt covenants, enabling legislation, or other legal requirements stood at \$521,336.

The \$521,336 in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The net assets of our business-type activities stood at \$17,074,888. The City can generally only use these net assets to finance continuing operations of the water and sewer and other enterprise operations.

The results of this year's operations for the City as a whole are reported in the Statement of Activities (see Table 2), which shows the changes in net assets for fiscal year 2005 and 2004.

Table 2
Change in Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Revenues						
Program revenues:						
Charges for services	\$899,112	\$975,001	\$2,329,119	\$2,801,788	\$3,228,231	\$3,776,789
Operating grants and distributions	1,219,790	1,307,339	-	-	1,219,790	1,307,339
Capital grants and contributions	-	-	31,500	1,387,444	31,500	1,387,444
General revenues:						
Taxes	1,796,175	1,787,932	-	-	1,796,175	1,787,932
Unrestricted intergovernmental	987,950	999,043	-	-	987,950	999,043
Investment earnings	71,702	64,993	26,359	5,334	98,061	70,327
Miscellaneous	<u>80,495</u>	<u>53,276</u>	<u>-</u>	<u>-</u>	<u>80,495</u>	<u>53,276</u>
Total Revenues	<u>5,055,224</u>	<u>5,187,584</u>	<u>2,386,978</u>	<u>4,194,566</u>	<u>7,442,202</u>	<u>9,382,150</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Program Expenses:						
Legislative	\$18,602	\$26,834	\$-	\$-	\$18,602	\$26,834
General government	1,330,283	1,328,977	-	-	1,330,283	1,328,977
Public safety	775,419	729,301	-	-	775,419	729,301
Public works	1,803,278	2,043,921	-	-	1,803,278	2,043,921
Recreation and culture	354,736	337,495	-	-	354,736	337,495
Other governmental	320,133	339,146	-	-	320,133	339,146
Interest on long-term debt	106,576	94,357	-	-	106,576	94,357
Depreciation – unallocated	36,362	36,362	-	-	36,362	36,362
Ambulance	-	-	740,483	738,600	740,483	738,600
Sewer	-	-	1,106,092	1,152,718	1,106,092	1,152,718
Water	-	-	<u>737,588</u>	<u>765,755</u>	<u>737,588</u>	<u>765,755</u>
Total Expenses	<u>4,745,389</u>	<u>4,936,393</u>	<u>2,584,163</u>	<u>2,657,073</u>	<u>7,329,552</u>	<u>7,593,466</u>
Excess (deficiency) before transfers	309,835	251,191	(197,185)	1,537,493	112,650	1,788,684
Transfers	<u>150,000</u>	-	<u>(150,000)</u>	-	-	-
Increase (decrease) in net assets	<u>459,835</u>	<u>251,191</u>	<u>(347,185)</u>	<u>1,537,493</u>	<u>112,650</u>	<u>1,788,684</u>
Net assets, beginning	<u>4,442,329</u>	<u>4,191,138</u>	<u>17,422,073</u>	<u>15,884,580</u>	<u>21,864,402</u>	<u>20,075,718</u>
Net Assets, Ending	<u>\$4,902,164</u>	<u>\$4,442,329</u>	<u>\$17,074,888</u>	<u>\$17,422,073</u>	<u>\$21,977,052</u>	<u>\$21,864,402</u>

The City's total revenues were \$7,442,202. The total cost of all programs and services was \$7,329,552, leaving an increase in net assets of \$112,650. Our analysis below separately considers the operations of governmental and business-type activities:

Governmental Activities

Government activities net assets increased by \$459,835. This increase was due mainly to a net decrease of \$191,000 in expenses.

Table 3 presents the cost of each of the three largest programs – General Government, Public Safety and Public Works – as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that each program placed on the City's operation.

**Table 3
Governmental Activities**

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
General Government	\$1,330,283	\$1,186,139
Public Safety	775,419	748,293
Public Works	1,803,278	329,111

Business-type Activities

Business-type activities net assets decreased by \$347,185. The Sewer System experienced a \$432,513 reduction and the Ambulance Fund experienced a \$134,338 reduction due to expenses exceeding revenue. The Water Fund experienced a \$219,666 net increase to bring the net decrease in Business-Type Activities to \$347,185.

THE CITY'S FUNDS

As the City completed the year, its governmental funds (as presented in the balance sheet on page 14) reported a *combined* fund balance of \$2,201,727, a decrease of \$(34,958) from the beginning of the year.

The combined fund balance decline of \$34,958 was due to a decline of \$99,794 in the General Fund balance resulting from an increase of \$96,000 in employee benefits combined with a decline in the Public Improvement Fund and increases in the Other Governmental Funds.

General Fund Budgetary Highlights

The fiscal year 2005 General Fund Revenue Budget was amended to reflect a reduction of \$112,300 in Taxes and a reduction of \$100,000 in State Sources.

With these adjustments, actual charges to expenditures were \$36,354 less than the final amended budget and other financing uses were \$101,060 more than the final amended budget. Conversely, revenues were \$45,852 more than the final budget projection. Over the course of the year, the City Council revised the budget a few times.

General Fund expenses were \$36,354 less than the final budget because Legislative expenses were \$7,598 less than the final budget; General Government expenses were \$119,557 less than the final budget; and Recreation and Culture was \$4,354 less than the final budget. Public Safety was \$51,298 more than the final budget and Public Works was \$43,857 more than the final budget. Overall the fiscal year 2005 General Fund expenses were \$36,354 less than the final General Fund Budget.

General Fund Revenue was \$45,852 more than the final revenue budget because Taxes were \$11,379 over budget; State Sources were \$11,766 under budget; Local Sources were \$2,705 under budget; Licenses and Permits were \$13,441 over budget; Charges for Services was \$5,690 under budget and Interest Income, Contributions, Fines and Forfeitures and Other Revenues were a total of \$41,193 over budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2005, the City had \$14,874,136 invested in a variety of capital assets including land, buildings, and other equipment. (See table 4 below)

Table 4
Capital Assets at Year-End
(Net of Depreciation)

	Governmental Activities – 2005	Business-type Activities – 2005	Totals – 2005
Land	\$1,072,218	\$10,888	\$1,083,106
Historical treasures	13,925	-	13,925
Construction in progress	97,182	57,028	154,210
Buildings	2,235,125	-	2,235,125
Equipment and vehicles	1,286,146	24,694	1,310,840
Infrastructure	499,936	-	499,936
Sewer system and equipment	-	7,976,059	7,976,059
Water system and equipment	-	1,600,935	1,600,935
Totals	\$5,204,532	\$9,669,604	\$14,874,136

In 2005, the City's major capital additions included building improvements reimbursed with C.D.B.G. grant funds, new fire truck, loader and other equipment.

There are no major capital projects planned for 2006.

Debt

At year-end, the City had \$2,205,953 in bonds and notes outstanding as depicted in Table 5 below.

Table 5
Outstanding Debt at Year-End

	Governmental Activities – 2005	Business-type Activities – 2005	Totals – 2005
Revenue bonds	\$1,382,000	\$-	\$1,382,000
Contracts and notes payable	823,953	-	823,953
Totals	<u>\$2,205,953</u>	<u>\$-</u>	<u>\$2,205,953</u>

There was one new addition to debt this year for the purchase of a fire truck. Further details on long-term debt can be found in Note I.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The City's elected and appointed officials consider many factors when setting the fiscal year 2006 budget. One of those factors is the economy. The inability to increase property taxes proportional to the cost of providing government services and the continued reduction in State Statutory Revenue sharing payment along with the double digit increases in health insurance, natural gas, electricity and vehicle fuels has resulted in the City work force to be reduced by 20 percent through layoffs and retirements. In fiscal year 2005 the City Council approved the transfer of the City Ambulance Service to Bell Memorial Hospital and converting our Fire Department to all volunteer status effective January 1, 2006. Paramedics were also full time firefighters. This action should eliminate the cash overdrafts the Ambulance Fund has experienced over the past 10 years.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Manager at City of Ishpeming, 100 East Division Street, Ishpeming, Michigan 49849.

City of Ishpeming, Michigan
Statement of Net Assets
December 31, 2005

	Governmental Activities	Primary Government Business Type Activities	Total	Component Unit
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 659,065	\$ 759,679	\$ 1,418,744	\$ 534,979
Investments	777,383	-	777,383	777,816
Receivables (net)	2,257,232	769,211	3,026,443	724
Prepaid expenses and other assets	88,723	43,185	131,908	14,917
Other current assets	-	-	-	-
TOTAL CURRENT ASSETS	3,782,403	1,572,075	5,354,478	1,328,436
Noncurrent assets:				
Long-term receivables	352,375	-	352,375	-
Unamortized bond issue costs	-	-	-	23,917
Investment in Wastewater Treatment Facility	-	2,536,043	2,536,043	-
Investment in Joint Water Authority	-	3,507,323	3,507,323	-
Capital assets:				
Land and construction in progress	1,183,325	-	1,183,325	-
Other capital assets	14,444,778	17,901,960	32,346,738	7,708,321
Accumulated depreciation	(10,423,571)	(8,232,356)	(18,655,927)	(3,627,973)
Total Capital Assets	5,204,532	9,669,604	14,874,136	4,080,348
TOTAL NONCURRENT ASSETS	5,556,907	15,712,970	21,269,877	4,104,265
TOTAL ASSETS	9,339,310	17,285,045	26,624,355	5,432,701
LIABILITIES:				
Current Liabilities:				
Accounts payable	324,504	53,146	377,650	206,375
Accrued liabilities	108,849	126,149	234,998	95,550
Compensated absences	5,731	30,862	36,593	-
Deferred revenue	1,493,967	-	1,493,967	-
Current portion of bonds payable	62,000	-	62,000	90,000
Current portion of notes payable	67,386	-	67,386	50,000
Other current liabilities	-	-	-	-
TOTAL CURRENT LIABILITIES	2,062,437	210,157	2,272,594	441,925
Noncurrent Liabilities:				
Compensated absences	298,142	-	298,142	16,557
Bonds payable	1,320,000	-	1,320,000	880,000
Long-term contracts and notes payable	756,567	-	756,567	-
Deferred gain on refunding	-	-	-	(49,500)
TOTAL NONCURRENT LIABILITIES	2,374,709	-	2,374,709	847,057
TOTAL LIABILITIES	4,437,146	210,157	4,647,303	1,288,982
NET ASSETS				
Invested in capital assets net of related debt	3,514,532	15,712,970	19,227,502	4,080,347
Restricted for:				
Debt Service	-	-	-	-
Other activities	866,296	-	866,296	-
Unrestricted	521,336	1,361,918	1,883,254	63,372
TOTAL NET ASSETS	\$ 4,902,164	\$ 17,074,888	\$ 21,977,052	\$ 4,143,719

The accompanying notes are an integral part of these financial statements.

City of Ishpeming, Michigan
Statement of Activities
For the Year Ended December 31, 2005

Function / Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business Type Activities	Component Unit
Primary Government:							
Governmental Activities:							
Legislative	\$ 18,602	\$ -	\$ -	\$ -	\$ (18,602)	\$ -	\$ (18,602)
General government	1,330,283	144,144	-	-	(1,186,139)	-	(1,186,139)
Public safety	775,419	22,033	5,093	-	(748,293)	-	(748,293)
Public works	1,803,278	634,536	839,631	-	(329,111)	-	(329,111)
Recreation and culture	354,736	65,949	29,875	-	(258,912)	-	(258,912)
Other governmental	320,133	32,450	345,191	-	57,508	-	57,508
Interest on long-term debt	106,576	-	-	-	(106,576)	-	(106,576)
Depreciation - unallocated	36,362	-	-	-	(36,362)	-	(36,362)
Total Governmental Activities	4,745,389	899,112	1,219,790	-	(2,626,487)	-	(2,626,487)
Business Type Activities:							
Ambulance	740,483	606,026	-	-	-	(134,457)	(134,457)
Sewer	1,106,092	713,817	-	-	-	(392,275)	(392,275)
Water	737,588	1,009,276	-	31,500	-	303,188	303,188
Total Business Type Activities	2,584,163	2,329,119	-	31,500	-	(223,544)	(223,544)
TOTAL PRIMARY GOVERNMENT	\$ 7,329,552	\$ 3,228,231	\$ 1,219,790	\$ 31,500	(2,626,487)	(223,544)	(2,850,031)
Component Unit:							
Downtown Development Authority	276,764	-	-	-	-	-	(276,764)
Ishpeming Housing Commission	710,795	345,632	162,201	4,093	-	-	(197,969)
TOTAL COMPONENT UNIT	\$ 987,559	\$ 345,632	\$ 162,201	\$ 4,093	-	-	(474,633)
General Revenues:							
Taxes:							
Property taxes	1,537,026	-	-	-	1,537,026	-	302,354
Payment in lieu of taxes	259,149	-	-	-	259,149	-	-
Unrestricted intergovernmental sources	987,950	-	-	-	987,950	-	-
Interest and investment earnings	71,702	26,359	-	-	98,061	-	22,440
Miscellaneous	50,923	-	-	-	50,923	-	8,563
Gain(loss) on sale of assets	29,572	-	-	-	29,572	-	-
Transfers	150,000	-	-	-	(150,000)	-	-
TOTAL GENERAL REVENUES & TRANSFERS	3,086,322	-	(123,641)	-	2,962,681	-	333,357
CHANGE IN NET ASSETS	459,835	(347,186)	-	-	112,650	-	(141,276)
Net assets, beginning of year	4,442,329	17,422,973	-	-	21,864,402	-	4,284,995
NET ASSETS, END OF YEAR	\$ 4,902,164	\$ 17,074,888	\$ -	\$ -	\$ 21,977,052	\$ -	\$ 4,143,719

The accompanying notes are an integral part of these financial statements.

City of Ishpeming, Michigan
Governmental Funds
Balance Sheet
December 31, 2005

	General Fund	Major Street Fund	Public Improvement Fund	TIF District Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ -	\$ -	\$ 578,772	\$ 321,299	\$ 653,082	\$ 1,553,153
Investments	15,000	-	-	-	762,383	777,383
Accounts receivable, net	382,517	-	-	1,000	24,135	407,652
Taxes receivable	568,371	-	324,772	-	194,864	1,088,007
Due from other governments	37,532	55,103	-	-	22,236	114,871
Due from component units	-	-	-	183,268	-	183,268
Due from other funds	1,196,876	-	4,080	50,000	170,486	1,421,442
Prepaid expenditures	88,723	-	-	-	-	88,723
Notes receivable	-	-	13,925	-	338,450	352,375
TOTAL ASSETS	\$ 2,289,019	\$ 55,103	\$ 921,549	\$ 555,567	\$ 2,165,636	\$ 5,986,874

LIABILITIES AND FUND BALANCE

LIABILITIES:						
Cash overdrafts	\$ 866,585	\$ 7,256	\$ -	\$ -	\$ 20,247	\$ 894,088
Accounts payable	68,126	382	23,450	2,257	22,375	116,590
Accrued payroll	95,866	2,880	-	-	3,460	102,206
Accrued sick and vacation leave	5,338	-	-	-	393	5,731
Accrued liabilities	6,643	-	-	-	-	6,643
Due to other funds	213,288	-	163,841	474,698	314,095	1,165,922
Deferred revenue	974,331	-	324,772	-	194,864	1,493,967
TOTAL LIABILITIES	2,230,177	10,518	512,063	476,955	555,434	3,785,147

FUND BALANCE:

Reserved for:						
Capital outlay	-	-	-	-	-	-
Other	-	-	-	-	866,296	866,296
Unreserved, reported in:						
General Fund	58,842	-	-	-	-	58,842
Special Revenue Funds	-	44,585	409,486	78,612	743,906	1,276,589
TOTAL FUND BALANCE	58,842	44,585	409,486	78,612	1,610,202	2,201,727
TOTAL LIABILITIES AND FUND BALANCE	\$ 2,289,019	\$ 55,103	\$ 921,549	\$ 555,567	\$ 2,165,636	\$ 5,986,874

The accompanying notes are an integral part of these financial statements.

City of Ishpeming, Michigan
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
December 31, 2005

Total Fund Balances for Governmental Funds	\$	2,201,727
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*Amounts reported for governmental activities in the statement
of net assets are different because:*

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		5,204,532
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Long-term liabilities, including bonds payable, are not due and payable
in the current period and therefore are not reported in the funds.

Current portion of bonds payable	\$ 62,000	
Current portion of notes and contracts payable	67,386	
Compensated absences	298,142	
Bonds payable	1,320,000	
Long-term contracts and notes payable	<u>756,567</u>	
		(2,504,095)

		<hr style="border: 0; border-top: 1px solid black;"/> NET ASSETS OF GOVERNMENTAL ACTIVITIES
	\$	<u>4,902,164</u>

The accompanying notes are an integral part of these financial statements.

City of Ishpeming, Michigan
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended December 31, 2005

	General Fund	Major Street Fund	Public Improvement Fund	TIF District Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:						
Taxes	\$ 1,186,379	\$ -	\$ 325,546	\$ -	\$ 195,325	\$ 1,707,250
Federal sources	-	-	202,845	62,923	317,700	583,468
State sources	998,034	430,025	-	-	221,684	1,649,743
Local sources	23,695	-	-	-	-	23,695
Licenses and permits	63,741	-	-	-	-	63,741
Charges for services	80,470	-	-	-	-	80,470
Interest income and rentals	264,553	874	7,926	556	264,715	345,185
Contributions	5,174	-	88,925	61,300	58,730	332,639
Fines and forfeitures	68,949	-	-	-	-	155,399
Other revenues	39,017	-	141,334	17,901	36,638	68,949
						234,890
TOTAL REVENUES	2,730,012	430,899	766,576	142,680	1,094,792	5,164,959
EXPENDITURES:						
Current operations:						
Legislative	18,602	-	-	-	-	18,602
General government	1,349,793	-	-	-	-	1,349,793
Public safety	695,798	-	-	-	-	695,798
Public works	581,657	417,658	-	-	636,793	1,636,108
Recreation and culture	258,396	-	-	-	23,520	281,916
Other governmental	-	-	-	280,797	332,604	613,401
Debt service:						
Principal	-	19,270	67,223	15,990	59,740	162,223
Interest and fiscal charges	-	4,924	48,229	4,086	49,337	106,576
Capital outlay	-	-	632,534	-	-	632,534
TOTAL EXPENDITURES	2,904,246	441,852	747,986	300,873	1,101,994	5,496,951
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(174,234)	(10,953)	18,590	(158,193)	(7,202)	(331,992)
OTHER FINANCING SOURCES (USES):						
Investment in landfill	-	-	-	-	(36,234)	(36,234)
Transfers in	194,635	-	-	183,268	210,195	588,098
Transfers (out)	(120,195)	-	(90,000)	-	(44,635)	(254,830)
TOTAL OTHER FINANCING SOURCES (USES)	74,440	-	(90,000)	183,268	129,326	297,034
CHANGE IN FUND BALANCE	(95,794)	(10,953)	(71,410)	25,075	122,124	(34,958)
Fund balance, beginning of year	158,636	55,538	480,896	53,537	1,488,078	2,236,685
FUND BALANCE, END OF YEAR	\$ 58,842	\$ 44,585	\$ 409,486	\$ 78,612	\$ 1,610,202	\$ 2,201,727

The accompanying notes are an integral part of these financial statements.

City of Ishpeming, Michigan
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2005

Net Change in Fund Balances - Total Governmental Funds **\$ (34,958)**

*Amounts reported for governmental activities in the statement
of activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlays	\$	1,002,865	
Depreciation expense		<u>(381,512)</u>	
			621,353

The net effect of various transactions involving capital assets (disposal of capital assets and sales) is to decrease net assets. (38,503)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 162,223

Proceeds of borrowing are an other financing source in the funds, but a debt issue increases long-term liabilities in the statement of net assets. (280,000)

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. 29,720

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES **\$ 459,835**

City of Ishpeming, Michigan
Proprietary Funds
Statement of Net Assets
December 31, 2005

Business- Type Activities:
Enterprise Funds

	Ambulance Fund	Sewer Fund	Water Fund	Total
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ -	\$ 304,062	\$ 641,473	\$ 945,535
Accounts receivable	648,943	57,263	263,005	969,211
Allowance for uncollectible accounts	(200,000)	-	-	(200,000)
Prepaid expenses	-	43,185	-	43,185
Other current assets	-	-	-	-
TOTAL CURRENT ASSETS	448,943	404,510	904,478	1,757,931
Noncurrent Assets:				
Investment in Wastewater Treatment Facility	-	2,536,043	-	2,536,043
Investment in Joint Water Authority	-	-	3,507,323	3,507,323
Property, plant and equipment	267,420	14,166,469	3,468,071	17,901,960
Accumulated depreciation	(242,726)	(6,190,410)	(1,799,220)	(8,232,356)
TOTAL NONCURRENT ASSETS	24,694	10,512,102	5,176,174	15,712,970
TOTAL ASSETS	473,637	10,916,612	6,080,652	17,470,901
LIABILITIES				
Current Liabilities:				
Cash overdrafts	185,856	-	-	185,856
Accounts payable	2,717	220	50,209	53,146
Accrued liabilities	-	-	55,474	55,474
Accrued payroll	63,368	1,715	5,592	70,675
Accrued sick and vacation leave	-	-	30,862	30,862
Other current liabilities	-	-	-	-
TOTAL CURRENT LIABILITIES	251,941	1,935	142,137	396,013
TOTAL LIABILITIES	251,941	1,935	142,137	396,013
NET ASSETS				
Invested in capital assets net of related debt	24,694	10,512,102	5,176,174	15,712,970
Net Assets:				
Unrestricted	197,002	402,575	762,341	1,361,918
TOTAL NET ASSETS	\$ 221,696	\$ 10,914,677	\$ 5,938,515	\$ 17,074,888

The accompanying notes are an integral part of these financial statements.

City of Ishpeming, Michigan
Proprietary Funds
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended December 31, 2005

	Business- Type Activities:			
	Enterprise Funds			
	Ambulance Fund	Sewer Fund	Water Fund	Total
OPERATING REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
Federal sources	-	-	14,775	14,775
Licenses and permits	-	450	500	950
Charges for services	605,806	713,367	980,788	2,299,961
Other operating revenue	220	-	13,213	13,433
TOTAL OPERATING REVENUES	606,026	713,817	1,009,276	2,329,119
OPERATING EXPENSES:				
Personal services	602,275	85,055	223,298	910,628
Capital outlay	2,368	-	-	2,368
Contractual services	-	423,462	291,764	715,226
Supplies	20,212	42,166	43,603	105,981
Utilities	6,704	1,188	7,386	15,278
Depreciation	11,397	351,907	79,249	442,553
Payment in lieu of taxes	-	140,000	85,000	225,000
Other expenses	97,527	1,024	7,288	105,839
TOTAL OPERATING EXPENSES	740,483	1,044,802	737,588	2,522,873
OPERATING INCOME (LOSS)	(134,457)	(330,985)	271,688	(193,754)
NONOPERATING REVENUES (EXPENSES):				
Interest expense	-	-	-	-
Loss on wastewater facility	-	(61,290)	-	(61,290)
Interest income and rentals	119	9,762	16,478	26,359
TOTAL NONOPERATING REVENUES (EXPENSES)	119	(51,528)	16,478	(34,931)
INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS	(134,338)	(382,513)	288,166	(228,685)
Capital contributions	-	-	31,500	31,500
Transfers (out)	-	(50,000)	(100,000)	(150,000)
CHANGE IN NET ASSETS	(134,338)	(432,513)	219,666	(347,185)
Net assets, beginning of year	356,034	11,347,190	5,718,849	17,422,073
NET ASSETS, END OF YEAR	\$ 221,696	\$ 10,914,677	\$ 5,938,515	\$ 17,074,888

The accompanying notes are an integral part of these financial statements.

City of Ishpeming, Michigan
Proprietary Funds
Statement of Cash Flows
For the Year Ended December 31, 2005

**Business-Type Activities
Enterprise Funds**

	Ambulance Fund	Sewer Fund	Water Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from fees and charges for services	\$ 642,205	\$ 716,404	\$ 977,054	\$ 2,335,663
Other operating revenues	220	-	13,213	13,433
Cash payments to employees for services	(600,147)	(84,895)	(231,188)	(916,230)
Cash payments for payroll taxes	(46,074)	(6,507)	(17,082)	(69,663)
Cash payments to suppliers for goods and services	(87,545)	(573,556)	(392,144)	(1,053,245)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(91,341)</u>	<u>51,446</u>	<u>349,853</u>	<u>309,958</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers in (out)	-	(50,000)	(100,000)	(150,000)
Increase in due to other funds	-	-	-	-
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>-</u>	<u>(50,000)</u>	<u>(100,000)</u>	<u>(150,000)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition and construction of capital assets	-	-	(98,628)	(98,628)
Capital contributions received	-	-	31,500	31,500
Interest paid on long-term bonds	-	-	-	-
Principal payment on long-term bonds	-	-	-	-
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>-</u>	<u>-</u>	<u>(67,128)</u>	<u>(67,128)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment income	119	9,762	16,478	26,359
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>119</u>	<u>9,762</u>	<u>16,478</u>	<u>26,359</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(91,222)</u>	<u>11,208</u>	<u>199,203</u>	<u>119,189</u>
Cash and cash equivalents, beginning of year	(94,634)	292,854	442,270	640,490
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ (185,856)</u>	<u>\$ 304,062</u>	<u>\$ 641,473</u>	<u>\$ 759,679</u>

**RECONCILIATION OF OPERATING INCOME TO NET CASH
PROVIDED (USED) BY OPERATING ACTIVITIES:**

Operating income (loss)	\$ (134,457)	\$ (330,985)	\$ 271,688	\$ (193,754)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	11,397	351,907	79,249	442,553
Change in assets and liabilities:				
(Increase) decrease in accounts receivable, net	36,399	2,587	(19,009)	19,977
(Increase) decrease in taxes receivable	-	-	-	-
(Increase) decrease in due from governmental units	-	-	-	-
(Increase) decrease in due from prepaid expenses	-	27,867	-	27,867
Increase (decrease) in accounts payable	(6,808)	(90)	22,841	15,943
Increase (decrease) in customer deposits payable	-	-	2,974	2,974
Increase (decrease) in accrued payroll	44,871	160	(1,440)	43,591
Increase (decrease) in accrued sick and vacation	(42,743)	-	(6,450)	(49,193)
Increase (decrease) in deferred revenue	-	-	-	-
NET ADJUSTMENTS	<u>43,116</u>	<u>382,431</u>	<u>78,165</u>	<u>503,712</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (91,341)</u>	<u>\$ 51,446</u>	<u>\$ 349,853</u>	<u>\$ 309,958</u>

The accompanying notes are an integral part of these financial statements.

City of Ishpeming, Michigan
Fiduciary Funds
Statement of Fiduciary Net Assets
December 31, 2005

	Private- Purpose Trust Funds	Pension Trust Fund	Agency Funds
ASSETS			
Cash and equivalents	\$ 8,329	\$ 333,303	\$ 671,384
Investments	-	4,726,070	-
Notes receivables	-	-	-
Taxes receivable	-	64,950	-
Other receivables	-	51,304	-
Due from other governments	-	-	-
Due from other funds	-	207,914	-
	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	8,329	5,383,541	<u><u>\$ 671,384</u></u>
LIABILITIES			
Accounts payable	-	-	\$ -
Due to other funds	-	-	463,434
Due to other governmental units	-	-	207,950
Deferred revenues	-	64,950	-
	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES	-	64,950	<u><u>\$ 671,384</u></u>
NET ASSETS			
Held in trust for pension benefits	-	5,318,591	
Held in trust for individuals, organizations, and other governments	8,329	-	
	<hr/>	<hr/>	
TOTAL NET ASSETS	<u><u>\$ 8,329</u></u>	<u><u>\$ 5,318,591</u></u>	

The accompanying notes are an integral part of these financial statements.

City of Ishpeming, Michigan
Fiduciary Funds
Statement in Changes in Fiduciary Net Assets
For the Year Ended December 31, 2005

	Private- Purpose Trust Funds	Pension Trust Fund
ADDITIONS:		
Contributions:		
Employer	\$ -	\$ 103,643
Employee	-	39,936
Gifts, bequests and endowments	-	-
Total Contributions	-	143,579
Investment Income:		
Net appreciation (depreciation) in fair value of investments	-	125,836
Interest and dividends	119	133,065
Net Investment Income (Loss)	119	258,901
TOTAL ADDITIONS	119	402,480
DEDUCTIONS:		
Benefits and annuity withdrawals	-	268,294
Refunds of contributions	-	4,870
Administrative expense	-	45,128
Payments in accordance with trust agreements	2,070	-
TOTAL DEDUCTIONS	2,070	318,292
CHANGE IN NET ASSETS	(1,951)	84,188
Net assets, beginning of year	10,280	5,234,403
NET ASSETS, END OF YEAR	\$ 8,329	\$ 5,318,591

The accompanying notes are an integral part of these financial statements.

City of Ishpeming, Michigan
COMPONENT UNITS
COMBINING STATEMENT OF NET ASSETS
December 31, 2005

	Downtown Development Authority	Housing Commission	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 252,970	\$ 282,009	\$ 534,979
Cash and cash equivalents-reserved	-	-	-
Receivables, net	-	724	724
Investments	-	777,816	777,816
Other assets	-	14,917	14,917
TOTAL CURRENT ASSETS	252,970	1,075,466	1,328,436
Noncurrent Assets:			
Unamortized bond issue costs	23,917	-	23,917
Capital assets	-	7,708,321	7,708,321
Accumulated depreciation	-	(3,627,973)	(3,627,973)
TOTAL NONCURRENT ASSETS	23,917	4,080,348	4,104,265
TOTAL ASSETS	276,887	5,155,814	5,432,701
LIABILITIES			
Current Liabilities:			
Accounts payable	183,268	23,107	206,375
Accrued liabilities	-	95,550	95,550
Current portion of bonds payable	90,000		90,000
Current portion of notes payable	50,000	-	50,000
TOTAL CURRENT LIABILITIES	323,268	118,657	441,925
Noncurrent Liabilities:			
Bonds payable	880,000	-	880,000
Deferred gain on refunding	(49,500)	-	(49,500)
Other liabilities	-	16,557	16,557
TOTAL NONCURRENT LIABILITIES	830,500	16,557	847,057
TOTAL LIABILITIES	1,153,768	135,214	1,288,982
NET ASSETS			
Invested in capital assets net of related debt	-	4,080,347	4,080,347
Unrestricted	(876,881)	940,253	63,372
TOTAL NET ASSETS	\$ (876,881)	\$ 5,020,600	\$ 4,143,719

The accompanying notes are an integral part of these financial statements.

City of Ishpeming, Michigan
COMPONENT UNITS
COMBINING STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2005

Function / Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Downtown Development Authority	Housing Commission	Total
Downtown Development Authority Operations	\$ 276,764	\$ -	\$ -	\$ -	(276,764)	-	(276,764)
Housing Commission Operations	710,795	346,632	162,201	4,093	-	(197,869)	(197,869)
TOTAL COMPONENT UNITS	\$ 987,559	\$ 346,632	\$ 162,201	\$ 4,093	(276,764)	(197,869)	(474,633)
General Revenues:							
					302,354	-	302,354
					5,764	16,676	22,440
					-	8,563	8,563
TOTAL GENERAL REVENUES							
					308,118	25,239	333,357
CHANGE IN NET ASSETS							
					31,354	(172,630)	(141,276)
Net assets, beginning of year					(908,235)	5,193,230	4,284,995
NET ASSETS, END OF YEAR							
					(876,881)	\$ 5,020,600	\$ 4,143,719

The accompanying notes are an integral part of these financial statements.

CITY OF ISHPEMING, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the City of Ishpeming conform to generally accepted accounting principles applicable to local governmental units as prescribed by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants, except for the maintenance of a general fixed asset group of accounts. The following is a summary of the more significant policies.

REPORTING ENTITY

The City was incorporated in 1873. The City operates under a Council - Manager form of government. As required by generally accepted accounting principles, these financial statements present the City of Ishpeming (the primary government) and its component unit. The component unit discussed in Note B is included in the City's reporting entity because of the significance of its operational and financial relationships with the City.

BASIS OF PRESENTATION

Government-Wide Financial Statements

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The City's police and fire protection, public works, culture and recreation and general administrative services are classified as governmental activities. The City's sewer, water and ambulance services are classified as business-type activities.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns are presented on a consolidated basis by column and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The City first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the City's functions and business-type activities. The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.) The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. The net costs (by function or business-type activity) are normally covered by general revenue.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

The government-wide focus is more on the sustainability of the City as an entity and the change in the City's net assets resulting from the current year's activities. For the most part, the effect of interfund activities has been removed from these statements.

Fund Financial Statements

The financial transactions of the City are reported in individual funds in the fund financial statements. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. The various funds are reported by generic classification within the financial statements. The City uses the following fund types:

Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the City:

- *General Fund* - The General Fund is the general operating fund and, accordingly, it is used to account for all financial resources except those required to be accounted for in another fund.
- *Special Revenue Funds* - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.
- *Capital Projects Funds* - Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).
- *Permanent Funds* – Permanent Funds are used to account for assets held by the City pursuant to a trust agreement. The principle portion of this fund type must remain intact, but the earnings may be used to achieve the objectives of the fund.

Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position and cash flows. The generally accepted accounting principles applicable are those similar to business in the private sector. The following is a description of the proprietary funds of the City:

- *Enterprise Funds* - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Fiduciary Funds

Fiduciary funds are used to report the assets held by the City in a trustee capacity or as an agent others and therefor are not available to support the City's programs. The reporting focus is on net assets and changes in net assets and are reported using accounting principles similar to proprietary funds.

Major Funds

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds.

The City reports the following major governmental funds:

- The **General Fund** is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The **Major Street Fund** accounts for the activities related to receipt of allocated state shared gas and weight taxes to be spent on certain "mile" roads designated as major under contractual agreement with the State of Michigan.
- The **Public Improvement Fund** accounts for the activities related to development and improvement of the City's general capital assets.
- The **TIF District Fund** accounts for the activities related to operation and maintenance of the City's designated tax increment financing district.

The City reports the following major proprietary funds:

- The **Ambulance Fund** accounts for the activities related to operation of City ambulance service and billing for services.
- The **Sewer Fund** accounts for the activities related to sanitary sewer operation and booster stations and billing for services.
- The **Water Fund** accounts for the activities related to water treatment and distribution and billing for services.

The City's fiduciary funds are presented in the fiduciary fund financial statements by type (pension and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the City, these funds are not incorporated into the government-wide statements.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

BASIS OF ACCOUNTING

The basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. The basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Accrual

Both governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

All enterprise funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred. Unbilled water and sewer services are accrued as revenue in the Water and Sewer Funds based upon estimated consumption at year-end.

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period. "Available" means collectible within the current period or within 60 days of the end of the current fiscal period. Significant revenues susceptible to accrual include payments in lieu of taxes, state and federal sources, and intergovernmental revenues. Other revenue sources such as licenses, permits, charges for services, sales, fees, fines, rentals, and other are recorded as revenues when received in cash because they are generally not measurable until actually received. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred with certain exceptions such as interest on long-term debt, compensated absences and claims and judgments which are generally recognized when payment is due.

FINANCIAL STATEMENT AMOUNTS

Property Taxes

The City bills and collects its own property taxes and also the taxes for the local school district, the intermediate school district, and the county. Collections of local school taxes, intermediate school district taxes, and county taxes and remittance of them are accounted for in the Trust and Agency Fund. Property taxes are levied on December 1 based on the taxable value of property. City property tax revenues are recognized when levied to the extent that they result in current receivables.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Capital Assets

Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Assets acquired by gift or bequest are recorded at their estimated fair value on the date of transfer.

Depreciation on all exhaustible capital assets is charged as an expense against their operations in government-wide statements and proprietary fund financial statements. Accumulated depreciation is reported on government-wide and proprietary fund statement of net assets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

	Depreciation Life-Years
Buildings, structures, and improvements	30-50 years
Water supply and sewage disposal systems	20-50 years
Vehicles and equipment	5-20 years

GASB No. 34 requires the City to report and depreciate new infrastructure assets placed in service after January 1, 2004. Infrastructure assets include roads, bridges and traffic signals, etc. Neither their historical cost nor related depreciation has historically been reported in the financial statements. The retroactive reporting of infrastructure is optional for the City under GASB No. 34 and the City has elected not to retroactively report infrastructure assets prior to January 1, 2004.

Long-Term Liabilities

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities and business-type activities or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using straight line amortization. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources and bond discounts are reported as other financing uses. Issuance costs whether or not withheld from the actual debt received, are reported as debt service.

Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Not later than August 15, the City Manager submits to the City Council a proposed operating budget for the ensuing fiscal year commencing January 1 in accordance with the City Charter. The operating budget includes proposed expenditures and the means of financing them.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

2. Prior to its adoption, a public hearing is conducted at City Hall to obtain taxpayer comments.
3. Not later than September 30, the budget is adopted by the City Council in accordance with the provisions of the City Charter.
4. The City Council adopts the budget by functional categories. Any transfers of appropriations between functions must be approved by the City Council. All unencumbered and unexpended appropriations lapse at year end.
5. Formal budgetary integration is employed as a management control device for the general fund and all special revenue funds. The budgets for the capital projects and enterprise funds are informational summaries only and are not covered under the City's General Appropriations Act or the State's Public Act 621.
6. The City Council has the authority to amend the budget when it becomes apparent that deviations in the original budget will occur and the amount of the deviation can be determined. Once originally adopted, the budget was formally amended during the fiscal year.
7. The legally adopted budgets and informational budget summaries for the funds are adopted on a basis consistent with generally accepted accounting principles (GAAP) as applicable to each funds method of accounting.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the City of Ishpeming because it is at present considered not necessary to assure effective budgetary control or to facilitate effective cash planning and control.

Inventory

Inventory costs are recorded as expenditures when incurred.

Interfund Activity

During the course of its operations, the City has numerous transactions between funds to finance operations, to provide services, construct assets and service debt. To the extent that certain transactions between funds had not been paid or received as of fiscal year end, balances of interfund accounts receivable or payable have been recorded and are subject to elimination upon consolidation.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the City considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Compensated Absences

The City accrues accumulated unpaid vacation and sick leave and associated employee-related costs when earned (or estimated to be earned) by the employee. The noncurrent portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and affect the disclosure of contingent assets and liabilities at the date of financial statements. These estimates and assumptions also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B – INDIVIDUAL COMPONENT UNIT DISCLOSURES:

Discretely Presented Component Units

The component unit column in the government-wide financial statements includes the financial data for the Downtown Development Authority (DDA) and the Ishpeming Housing Commission. They are reported in a separate column to emphasize that they are legally separate from the City. The purpose of the DDA entity is to foster development of the Downtown Business District. The purpose of the Ishpeming Housing Commission is to provide low income housing programs for City residents.

The presentation of the financial statements of the DDA is complete, and there is no separately issued report for this entity. A complete financial statement for the Ishpeming Housing Commission can be obtained directly from the administrative office at 111 Bluff, Ishpeming, Michigan, 49849.

In accordance with the provisions of GASB Statement 14, certain other governmental organizations are not considered to be part of the reporting entity for financial reporting purposes. The criteria established for determining the various governmental organizations to be included in the reporting entity's financial statements include oversight responsibility, scope of public service, and special financing relationships. On this basis, the financial statements of Ishpeming City Schools is not included in the financial statements of the City.

NOTE C – CASH AND EQUIVALENTS:

The composition of cash and equivalents reported on the Statement of Net Assets are as follows:

Cash and cash equivalents:	
Primary government	\$1,418,744
Component unit	534,979
Fiduciary funds	1,013,016
	<hr/>
TOTAL REPORTING ENTITY	\$ 2,966,739
	<hr/>
A summary of deposits by type are:	
Cash in demand accounts	\$658,844
Cash in savings and time deposits	2,307,495
Petty cash	400
	<hr/>
TOTAL DEPOSITS	\$2,966,739
	<hr/>

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State law does not require and the City does not have a deposit policy for custodial credit risk. As of December 31, 2005, the carrying amount of the City's deposits with financial institutions was \$2,966,739 and the bank balance was \$2,925,945. The bank balance is categorized as follows:

NOTE C – CASH AND EQUIVALENTS (Continued):

Amount insured by the FDIC	\$210,232
Amount uninsured and collateralized with securities held by the pledging financial institutions trust department not in the City's name	51,833
Amount uninsured and uncollateralized	2,663,880
TOTAL	\$2,925,945

NOTE D – INVESTMENTS:

As of December 31, 2005, the City had the following investments.

	Investment in Maturities (in Years)				
	Fair Value	Less Than 1	1-5	6-10	More Than 10
PRIMARY GOVERNMENT:					
Time Deposits	\$233,100	\$105,000	\$98,100	\$10,000	\$20,000
U.S. Government Agencies	280,038	-	10,000	89,038	181,000
Tennessee Valley Authority Notes	40,000	-	-	40,000	-
U.S. Treasury Bonds	224,245	-	-	224,245	-
TOTAL INVESTMENTS	\$777,383	\$105,000	\$108,100	\$363,283	\$201,000
FIDUCIARY FUNDS:					
Domestic Corporation Bonds	\$771,695	\$150,217	\$621,478	\$-	\$-
U.S. Government Agencies	365,679	49,735	315,944	-	-
U.S. Treasury Notes	455,890	140,660	143,481	171,749	-
Mutual Equity Funds	1,775,265	1,775,265	-	-	-
Mutual Equity Index Funds	1,357,541	1,357,541	-	-	-
TOTAL INVESTMENTS	\$4,726,070	\$3,473,418	\$1,080,903	\$171,749	\$-

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the City's investments. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – Michigan statutes (Act 196, PA 1997) authorize the City to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposits, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC and authorized to operate in this state, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures within 270 days from date of purchase, bankers' acceptances of the United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds. Michigan law prohibits security in the form of collateral, surety bond, or another form for the deposit of public money.

Michigan statute (Act 314, PA 1965, as amended) authorizes the pension trust to invest in, with certain restrictions, stocks and mutual funds up to 60% of the system's assets; investments in the general or separate account of life insurance companies; fixed income securities; investments in leased property; direct investments in property; investments in real estate loans; investments in small business or venture capital firms in Michigan; surplus funds pooled accounts; and bank or trust company collective investment funds.

NOTE D – INVESTMENTS (Continued):

The City has no investment policy that would further limit its investment choices. The City's investments in Tennessee Valley Authority Notes are rated AAA by Moody's and AAA by Standard & Poor's. Ratings are not required for the City's investment in U.S. Government Agencies or equity-type funds. The City's investments are in accordance with statutory authority.

Concentration of Credit Risk – The City places no limit on the amount the City may invest in any one issuer. There were no investments subject to concentration credit risk disclosure.

NOTE E – INTERFUND RECEIVABLES AND PAYABLES:

A summary of the interfund receivables and payables at December 31, 2005 is as follows:

Fund	Receivable	Fund	Payable
General Fund	\$1,196,879	Building Authority	\$210,587
		Library State Aid	7,602
		Trust and Agency	494
		Current Tax Collection	462,940
		TIF District	470,618
		Perpetual Care	39,530
		Cemetery Care	5,105
Subtotal	1,196,876	Subtotal	1,196,876
Revolving Loan	665	General Fund	213,288
Cemetery Care	4,709		
Pension Trust	207,914		
Subtotal	213,288	Subtotal	213,288
Perpetual Care	1,271	Cemetery Care	1,271
Building Authority	163,841	Public Improvement	163,841
TIF District	50,000	Revolving Loan	50,000
Public Improvement	4,080	TIF District	4,080
TOTALS	\$1,629,356	TOTALS	\$1,629,356

All internal balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

NOTE F – CAPITAL ASSETS:

A summary of the changes in governmental activities capital assets for the year ended December 31, 2005 is as follows:

	Balance January 1, 2005	Additions	Deductions	Balance December 31, 2005
Capital assets not being depreciated:				
Land	\$1,104,218	\$-	\$32,000	\$1,072,218
Historical Treasurers	-	13,925	-	13,925
Construction-in-progress	36,260	76,286	15,364	97,182
Capital assets being depreciated:				
Buildings and improvements	9,295,855	212,017	-	9,507,872
Equipment and vehicles	3,933,129	619,931	131,678	4,421,382

NOTE F – CAPITAL ASSETS (Continued):

	Balance January 1, 2005	Additions	Deductions	Balance December 31, 2005
Infrastructure	\$419,454	\$96,070	\$-	\$515,524
Total Capital Assets	14,788,916	1,018,229	179,042	15,628,103
Less accumulated depreciation:				
Buildings and improvements	\$7,209,841	\$62,906	\$-	\$7,272,747
Equipment and vehicles	2,956,955	303,456	125,175	3,135,236
Infrastructure	438	15,150	-	15,588
Total Accumulated Depreciation	10,167,234	381,512	125,175	10,423,571
CAPITAL ASSETS, NET	\$4,621,682	\$636,717	\$53,867	\$5,204,532

Depreciation expense for the governmental activities was charged to the following functions and activities of the primary government:

Governmental Activities:	
Public Safety	\$68,310
Public Works	233,874
Recreation and Culture	42,966
Unallocated	36,362
Total Depreciation Expense- Governmental Activities	<u>\$381,512</u>

A summary of changes in business-type activities capital assets as of December 31, 2005 is as follows:

	Balance January 1, 2005	Additions	Deductions	Balance December 31, 2005
Capital assets not being depreciated:				
Land	\$10,888	\$-	\$-	\$10,888
Construction in Progress	-	57,028	-	57,028
Capital assets being depreciated:				
Sewer system and equipment	14,166,469	-	-	14,166,469
Water plant and equipment	3,358,555	41,600	-	3,400,155
Ambulance equipment	267,420	-	-	267,420
Total Capital Assets	17,803,332	98,628	-	17,901,960
Less accumulated depreciation:				
Sewer system and equipment	5,838,503	351,907	-	6,190,410
Water plant and equipment	1,719,971	79,249	-	1,799,220
Ambulance equipment	231,329	11,397	-	242,726
Total Accumulated Depreciation	7,789,803	442,553	-	8,232,356
CAPITAL ASSETS, NET	\$10,013,529	\$(343,925)	\$-	\$9,669,604

Depreciation expense for the business-type activities was charged to the following functions and activities of the primary government:

Business-type Activities:	
Sewer system	\$351,907
Water system	79,249
Ambulance equipment	11,397
Total Depreciation Expense- Business-type Activities	<u>\$442,553</u>

NOTE G – ACCUMULATED UNPAID VACATION AND SICK LEAVE:

The City accrues the liability for earned sick leave using the vesting method. The liability is accrued as the benefits are earned if it is probable that the City will compensate the employees conditioned upon retirement, death or termination of employment. Employees earn sick leave at the rate of one (1) day per month, not to exceed 12 days per year (except the Fire Fighters Union employees who get six twenty-four hour shifts). Upon termination in good standing, retirement, death, or disability, employees or their estates, shall be paid for sick leave accumulated at their current rate of pay as dictated by the respective union contract or employment agreement.

Employees earn vacation leave at various schedules dependent upon their length of employment. Upon retirement, death, termination or disability, employees or their estates are paid for all outstanding vacation days accumulated at their current rate of pay.

The current portion of the liability for governmental fund types, and the entire liability for proprietary fund types are reported as part of the accrued expenses in the respective funds. The long-term portion of the liability applicable to the governmental fund types is reported in the Statement of Net Assets. The liability is recorded as follows:

ACCRUED SICK AND VACATION:

General Fund	\$5,338
Garbage & Rubbish	393
Water	30,862
Governmental Activities – Long-Term Portion	298,142
TOTAL	<u>\$334,735</u>

NOTE H – DEFERRED REVENUES:

Deferred revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met.

Taxes that were levied on December 1, 2005 have been recorded as deferred revenue for the following funds:

General Fund	\$974,331
Public Improvement Fund	324,772
Garbage and Rubbish Fund	194,864
Policemen & Firemen Retirement System	64,950
TOTAL	<u>\$1,558,917</u>

NOTE I – LONG -TERM DEBT:

A summary of long-term obligations at December 31, 2005 and transactions related thereto for the year then ended is as follows:

	Balance January 1, 2005	Additions	Reductions	Balance December 31, 2005
GOVERNMENTAL ACTIVITIES:				
MBIA Revenue Sharing Bonds, Series 1990. Payable semi-annually including interest of 5.85% to 7.05% per annum.	\$35,000	\$-	\$35,000	\$-
Limited Tax General Obligation Building Authority Bonds, Series 2000. Payable semi-annually including interest of 5.125% per annum.	861,000	-	17,000	844,000

NOTE I – LONG -TERM DEBT (Continued):

	Balance January 1, 2005	Additions	Reductions	Balance December 31, 2005
Michigan Transportation Fund Bonds, Series 2003. Payable semi-annually including interest of 4.25%.	\$493,000	\$-	\$41,000	\$452,000
Installment payable for Brownfield revitalization. Payable annually beginning May 10, 2004 including interest of 2.25%. Secured by property.	71,176	-	7,223	63,953
Limited Tax General Obligation Building Authority Bonds, Series 2002. Payable semi-annually, including interest of 4.75% per annum.	88,000	-	2,000	86,000
Installment payable for purchase of fire truck. Payable annually beginning January 1, 2006 including Interest of 4.375%, secured by equipment.	-	280,000	15,000	265,000
Installment payable for purchase of Public Works equipment. Payable annually including interest of 4.75% per annum. Secured by equipment.	<u>540,000</u>	<u>-</u>	<u>45,000</u>	<u>495,000</u>
SUBTOTAL	<u>2,088,176</u>	<u>280,000</u>	<u>162,223</u>	<u>2,205,953</u>
Accrued compensated absences	<u>327,862</u>	<u>-</u>	<u>29,720</u>	<u>298,142</u>
TOTAL GOVERNMENTAL ACTIVITIES	<u>2,416,038</u>	<u>280,000</u>	<u>191,943</u>	<u>2,504,095</u>

DOWNTOWN DEVELOPMENT AUTHORITY

COMPONENT UNIT:

Limited Tax General Obligation Tax Increment Development Bonds, 1994 Series. Payable semi- annually including interest of 4.00% to 6.20% per annum.	50,000	-	50,000	-
General Obligation Limited Tax Development Refunding Bonds, 2004 series. Payable semi-annually including interest of 3.00% to 3.9% per annum.	<u>995,000</u>	<u>-</u>	<u>25,000</u>	<u>970,000</u>
TOTAL COMPONENT UNIT	<u>1,045,000</u>	<u>-</u>	<u>75,000</u>	<u>970,000</u>
TOTAL REPORTING ENTITY	<u>\$3,461,038</u>	<u>\$280,000</u>	<u>\$266,943</u>	<u>\$3,474,095</u>

The annual principal and interest requirements for the years ending December 31, 2005 and thereafter, excluding accrued compensated absences, are as follows:

	Governmental Activities		DDA Component Unit		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$129,386	\$102,999	\$90,000	\$31,162	\$219,386	\$134,161
2007	132,552	97,221	100,000	28,312	232,552	125,533
2008	140,722	91,356	105,000	25,237	245,722	116,593
2009	143,895	85,003	120,000	21,787	263,895	106,790
2010	152,072	78,564	125,000	17,849	277,073	96,413
2011-2015	720,325	283,311	430,000	27,979	1,150,325	311,290
2016-2020	269,000	165,778	-	-	269,000	165,778
2021-2025	223,000	104,975	-	-	223,000	104,975
2026-2030	285,000	40,748	-	-	285,000	40,748
2031-2032	10,000	714	-	-	10,000	714
Totals	<u>\$2,205,953</u>	<u>\$1,050,669</u>	<u>\$970,000</u>	<u>\$152,326</u>	<u>\$3,175,953</u>	<u>\$1,202,995</u>

Note: The City is within its legal debt margin as of December 31, 2005.

NOTE J – FUND EQUITY RESERVES AND DESIGNATIONS:

The Garbage & Rubbish Fund has a \$28,878 reserved for payment of the City's 2006 principal portion of the bonds related to its membership in the Marquette County Landfill.

The Permanent Funds have reserved fund balance of \$837,418 for Cemetery Trusts as noted in the City Charter.

NOTE K – LONG-TERM RECEIVABLES:

Loans made to individual businesses in the City by the Revolving Loan Fund are recorded as long-term receivables. The total outstanding amount of loans issued as of December 31, 2005 was \$338,450.

NOTE L – PROPERTY TAXES:

The City of Ishpeming levied 13.7061 mills for the General Fund, 2.7412 mills for the Garbage and Rubbish Fund, 4.5687 mills for the Public Improvement Fund and 0.9137 mills for the Firemen and Policemen Retirement Fund for calendar year 2005. The millage rate is based on each \$1,000.00 of property assessed valuation and the current Taxable Value of the City is \$75,900,326.

NOTE M – OTHER FINANCING SOURCES AND USES:

The transfers between funds for the year ended December 31, 2005 are as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Fund</u>	<u>Transfers Out</u>
General	\$194,635	Sewer	\$50,000
		Water	100,000
		Perpetual Care	39,530
		Cemetery Care	5,105
Subtotal	194,635	Subtotal	194,635
Local Street	120,195	General	120,195
Building Authority	90,000	Public Improvement	90,000
TIF District	183,268	Downtown Development Authority	183,268
TOTAL	\$588,098	TOTAL	\$588,098

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorization.

NOTE N – DEFINED BENEFIT PENSION PLAN:

DEFINED BENEFIT PENSION PLANS

Plan Description - The City participates in the Michigan Municipal Employees Retirement System, and agent multiple-employer defined benefit pension plan that covers all employees of the City except for the Policemen and Firemen. The System provides retirement, disability and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to MERS at 1134 Municipal Way, Lansing, MI 48917-9755.

NOTE N – DEFINED BENEFIT PENSION PLAN (Continued):

Funding Policy- The obligation to contribute to and maintain the system for these employees was established by negotiation with the City's competitive bargaining units, and requires a contribution from the employees of 5.35% of gross wages for the Clerical Employees' unit and DPW Employees' unit, 9.70% of gross wages for the Supervisory Employees' unit, and 7.51% of gross wages for non-union employees.

Annual Pension Cost - For year ended December 31, 2004 the City's annual pension cost of \$184,915 for the plan was equal to the City's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2002, using the entry actual age cost method. Significant actuarial assumptions used include (a) an 8.0 investment rate of return, and (b) projected salary increases of 4.5 percent per year plus a percentage based on an age-related scale to reflect merit, longevity and promotional salary increases. Both (a) and (b) include an inflation component of 4.5%. The actuarial value of assets was determined using techniques that smooth the effects of short term volatility over a four year period. The unfunded actuarial liability, if any, is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 30 years.

	2002	2003	2004
Annual Pension Cost	\$123,852	\$178,864	\$184,915
Percentage of APC Contributed	100%	100%	100%
Net Pension Obligation	-	-	-
Actuarial Value of Assets	6,037,648	6,506,065	6,885,453
Actuarial Accrued Liability (Entry Age)	7,484,306	8,348,589	9,167,819
Unfunded AAL	1,446,658	1,842,524	2,282,366
Funded ratio	81%	78%	75%
Covered Payroll	1,484,103	1,460,004	1,363,411
UAAL as a Percentage of Covered Payroll	97%	126%	167%

DEFINED BENEFIT PENSION PLAN - POLICEMEN AND FIREMEN

The City of Ishpeming is the administrator of a single-employer public employee retirement system that covers all Police and Fire Department employees. The system provides retirement, disability and death benefits to plan members and their beneficiaries.

Funding Policy- The obligation to contribute to and maintain the system for these employees was established by negotiation with the City's competitive bargaining unites, and requires a contribution from the employees of 5% of gross wages.

Annual Pension Cost - For year ended December 31, 2004 the City's annual pension cost of \$106,478 for the plan was equal to the City's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2002, using the entry actual age cost method. Significant actuarial assumptions used include (a) a 7.0 investment rate of return, and (b) projected salary increases of 5.5 percent per year, and (c) 0 percent per year cost of living adjustments. Both (a) and (b) include an inflation component of 5.5% - 9.3%. The actuarial value of assets was determined using techniques that smooth the effects of short term volatility over a five year period. The unfunded actuarial liability, if any, is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 11 years.

NOTE N – DEFINED BENEFIT PENSION PLAN (Continued):

	2002	2003	2004
Annual Pension Cost	\$85,512	\$106,478	\$106,478
Percentage of APC Contributed	70.4%	100%	100%
Net Pension Obligation	-	-	-
Actuarial Value of Assets	5,210,180	5,316,108	5,395,745
Actuarial Accrued Liability (Entry Age)	4,731,566	5,045,974	5,318,589
Unfunded AAL	478,614	270,135	77,156
Funded ratio	110%	105%	101%
Covered Payroll	841,057	753,650	770,263
UAAL as a Percentage of Covered Payroll	-%	-%	-%

Concentration of Investments - The fair value of individual investments that represent 5.0% or more of the Plan's net assets are as follows:

Turner Small Cap Equity Fund Class I – 28,556.995 Units	\$460,339
Wells Fargo Large Cap Value Fund – 118,047.029 Units	\$1,357,541
Wells Fargo Advantage Capital Growth Fund – 77,622.551 Units	\$1,314,926

NOTE O – DEFERRED COMPENSATION PLAN:

The City offers its employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The plan is available to all City employees, and it permits them to defer a portion of their current earnings until the employee's termination, retirement, death or unforeseeable emergency. The amounts deferred under the plan are held in a trust for the exclusive benefit of plan participants and their beneficiaries.

Due to changes in the Internal Revenue Code, the Plan's assets are considered to be property of the Plan's participants and are no longer subject to the City's general creditors. However, the Plan continues to be presented in these financial statements, as the City retains a fiduciary duty of care over the Plan. In the past, the plan assets have been used for no purpose other than to pay benefits and administrative costs.

The Plan's participants have the right to designate how the funds will be invested. Accordingly, the City has no liability for losses under the Plan. The Plan's assets are held in trust for the exclusive benefit of the Plan's participants and their beneficiaries.

The plan is administered by the Nationwide Retirement Solutions (formerly known as PEBSCO). Nationwide Retirement Solutions, as plan administrator, agrees to hold harmless and indemnify the City, its appointed and elected officers and participating employees from any loss resulting from Nationwide Retirement Solutions or its agents' failure to perform their duties and services pursuant to the Nationwide Retirement Solutions program.

NOTE P – OTHER POST-EMPLOYMENT BENEFITS:

The City provides post-employment health benefits to eligible retirees, terminated employees and their dependents. The benefits are provided in accordance with City ordinances, collective bargaining agreements and the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA). The criteria to determine eligibility is defined in the Employer Participation Agreement for the Post-Employment Health Plan for Public Employees. The plan is administered by Nationwide Retirement Solutions. During 2005, expenses of \$38,052 were recognized for post-employment health benefits. Expenses for post-retirement health care benefits are recognized as employer contributions are made to the Plan.

NOTE Q – JOINT VENTURE:

Ishpeming Area Joint Wastewater Treatment Board

The City of Ishpeming and the Township of Ishpeming entered into an agreement on December 10, 1981 for the purpose of creating the Ishpeming Area Joint Wastewater Treatment Board (Board). The Board shall design, construct, operate and maintain a joint wastewater treatment plant and related facilities. Unless otherwise agreed by the City and Township, the Board shall not levy or assess user charges, sewer rates, or fees directly against individual users of the wastewater treatment plant, but shall instead be reimbursed by contract payments from the City and Township. The City and Township shall be responsible for collecting user charges, sewer rates, fees, penalties and the like from their respective residents and users of the system.

The City utilizes the equity method of accounting for the activity in its investment in the Facility. Under the equity method the investment is adjusted for any additional capital investments made and its proportionate share of the Facility's results of operations.

A summary of condensed financial information of the Facility, in the aggregate, as of December 31, 2005, is as follows:

Assets	\$6,951,571
Liabilities	154,356
Equity - All local units	6,797,215
Operating Revenues	709,491
Operating Expenses	865,025
Other Income	64,056
Net Income (loss)	(91,478)
City's Share of Net Income (loss)	(61,290)

Marquette County Solid Waste Management Authority

In February 1990, the City of Ishpeming joined 21 other municipalities in the Marquette County Solid Waste Management Authority ("Authority"). The authority was created pursuant to Act 233 of 1955 to plan for, acquire, construct, finance, operate, maintain, repair and dispose of, whether by sale, lease, or otherwise, an Act 641 landfill, including all improvements, appurtenances, easements, accessory facilities and structure, equipment, and other property part of or incidental to the landfill sufficient to satisfy the requirements of, and function as a solid waste disposal area under Act 641 and to establish and administer procedures providing for the separation, recycling, recovery, conversion of solid waste to energy and for the disposition of such energy output and disposal at the site of Non-toxic Type II and Type III Solid Waste, to fund all of the above activities, to charge and collect fees in connection with the operation of the landfill and to provide for the reimbursement with receipt of bond proceeds to the City of Marquette and Sands Township of their respective costs and expenses incurred in connection with the establishment and administration of the Solid Waste Authority and the System Facility.

The Authority is governed by a Board of Trustees consisting of one (1) member (who shall be the Chairperson of the Board of Trustees) designated by the Sands Township Supervisor on behalf of the Sands Township, two (2) members designated by the Marquette City Commission; three (3) members designated by the Marquette County Board of Commissioners, and one resident of the City of Marquette appointed by other six Authority Board members. All decisions of the Board are made by majority vote, consisting of at least four of its members.

The City's share of assets, liabilities, and fund equity is 10.16 percent. Summary financial information as of and for the fiscal year ended June 30, 2005 is as follows:

NOTE Q – JOINT VENTURE (Continued):

Total Assets	\$13,560,611
Total Liabilities	2,075,460
Total Net Assets	11,485,151
Total Operating Revenues	2,425,089
Total Operating Expenses	2,149,808
Total Joint Venture's Outstanding Debt	950,000

The City of Marquette has pledged its full faith and credit for the Marquette County Solid Waste Management Authority Bonds, Series 1988. These bonds are payable from the net revenues of the Authority, as well as by each member of the Authority to the extent of their pro rata share of the principal and interest requirements on the bonds.

Marquette County issued the Marquette County Solid Waste System Bonds, Series 1991. These bonds are to be paid with a portion of tipping fees designated for bond repayment.

Negaunee - Ishpeming Water Authority Board

The City of Ishpeming and the City of Negaunee entered into an intergovernmental agreement dated January 7, 1988, and amended on July 31, 1991, for the purpose of creating the Negaunee-Ishpeming Water Authority Board (Board), a corporate public body. The Board is to design, construct, own, operate and maintain a joint municipal water supply system and related facility.

As part of the agreement, the City paid 50% of the preliminary engineering, design engineering, and bidding costs, and 60% of the capital costs. As of December 31, 2004, the latest audited financial statements, the City's equity in the Joint Water Authority Board equals \$3,507,323.

On January 11, 1993, the County of Marquette issued Ishpeming/Negaunee Water Supply System Bonds - 1992 Issue of \$4,660,000 for the purpose of constructing a Water Plant and establishing a new water source for the City of Ishpeming and the City of Negaunee. Under the contract the City of Negaunee is obligated to pay \$2,860,000 over the next 20 years with interest rates ranging from 4.00% to 6.90% and the City of Ishpeming is obligated to pay \$1,800,000 over the next 10 years with interest rates ranging from 4.00% to 6.10%. The City of Ishpeming has fulfilled its obligation as of December 31, 2004.

The total cost of construction of the project approximates \$7,000,000. The funding sources, in addition to the bond offering, consist of a \$1,000,000 U.S. Economic Development Administration Grant, a \$500,000 Michigan Community Development Block Grant, and \$840,000 in local funds.

NOTE R – CONTINGENT LIABILITIES:

Risk Management - The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The City was unable to obtain general liability insurance at a cost it considered to be economically justifiable. The City joined together with other governments and created a public entity risk pool currently operating as a common risk management and insurance program. The City pays an annual premium to the pool for its general insurance coverage. The agreement provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$75,000 for each insured event.

The City continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The City is unable to provide an estimate of the amounts of additional assessments that may be required to make the pool self-sustaining.

NOTE R – CONTINGENT LIABILITIES (Continued):

Grant Assistance - The City has received significant assistance from state and federal agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and is subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the City.

NOTE S – EXPENDITURES OVER APPROPRIATIONS:

Public Act 621 of 1978, Section 18(1), as amended, provides that a City shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the City's actual expenditures and budgeted expenditures for the General and Special Revenue Funds have been shown on a functional basis.

The approved budgets of the City for the General and Special Revenue Funds were adopted on an activity and/or program level. During the year ended December 31, 2005, the City incurred functional expenditures which were in excess of the amounts appropriated as follows:

Fund	Final Amended Budget	Expenditures	Variance
General:			
Public Safety	\$644,500	\$695,798	\$(51,298)
Public Works	537,800	581,657	(43,857)
Special Revenue:			
TIF District	257,500	300,873	(43,373)
Library State Aid	18,500	20,894	(2,394)
Revolving Loan	-	19	(19)
Building Authority	89,000	399,455	(310,455)

NOTE T – SUBSEQUENT EVENT:

The City discontinued operations of the ambulance service effective January 1, 2006. The City will maintain ownership of the ambulance vehicles, equipment and building and has entered into a lease agreement with Bell Memorial Hospital for the use of the City's ambulance assets for the Hospital to provide ambulance services as of January 1, 2006. The City will continue to collect on the outstanding receivables reported in the Ambulance Fund as of December 31, 2005. Therefore, the Ambulance Fund will continue to be presented in the City's financial statements.

Required Supplementary Information

City of Ishpeming, Michigan
General Fund
Budgetary Comparison Schedule
For the Year Ended December 31, 2005

	Budgeted Amounts		Actual	Variance with
	Original	Final	GAAP	Final Budget
			Basis	Positive
				(Negative)
REVENUES:				
Taxes	\$ 1,287,300	\$ 1,175,000	\$ 1,186,379	\$ 11,379
State sources	1,109,800	1,009,800	998,034	(11,766)
Local sources	26,400	26,400	23,695	(2,705)
Licenses and permits	50,300	50,300	63,741	13,441
Charges for services	86,160	86,160	80,470	(5,690)
Interest income and rentals	263,000	263,000	264,553	1,553
Contributions	3,000	3,000	5,174	2,174
Fines and forfeitures	49,500	49,500	68,949	19,449
Other revenues	21,000	21,000	39,017	18,017
TOTAL REVENUES	2,896,460	2,684,160	2,730,012	45,852
EXPENDITURES:				
Current operations:				
Legislative	26,200	26,200	18,602	7,598
General government	1,929,350	1,469,350	1,349,793	119,557
Public safety	640,000	644,500	695,798	(51,298)
Public works	537,800	537,800	581,657	(43,857)
Recreation and culture	262,750	262,750	258,396	4,354
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Capital outlay	-	-	-	-
TOTAL EXPENDITURES	3,396,100	2,940,600	2,904,246	36,354
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(499,640)	(256,440)	(174,234)	82,206
OTHER FINANCING SOURCES (USES):				
Transfers in	380,500	200,500	194,635	(5,865)
Transfers (out)	-	(25,000)	(120,195)	(95,195)
TOTAL OTHER FINANCING SOURCES (USES)	380,500	175,500	74,440	(101,060)
CHANGE IN FUND BALANCE	(119,140)	(80,940)	(99,794)	(18,854)
Fund balance, beginning of year	158,636	158,636	158,636	-
FUND BALANCE, END OF YEAR	\$ 39,496	\$ 77,696	\$ 58,842	\$ (18,854)

City of Ishpeming, Michigan
Major Special Revenue Funds
Budgetary Comparison Schedule
For the Year Ended December 31, 2005

	MAJOR STREET FUND				PUBLIC IMPROVEMENT FUND				TIF DISTRICT FUND			
	Budgeted Amounts		Actual		Budgeted Amounts		Actual		Budgeted Amounts		Actual	
	Original	Final	GAAP	Basis	Original	Final	GAAP	Basis	Original	Final	GAAP	Basis
REVENUES:												
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 356,200	\$ 356,200	\$ 325,546	\$ (30,654)	\$ -	\$ -	\$ -	\$ -
Federal sources	-	-	-	-	-	-	202,845	202,845	-	-	62,923	62,923
Slate sources	435,000	435,000	430,025	(4,975)	-	-	-	-	-	-	-	-
Interest income and rentals	-	-	874	874	1,000	1,000	7,926	6,926	1,000	1,000	556	(444)
Contributions	-	-	-	-	110,000	110,000	88,925	(21,075)	11,000	11,000	61,300	50,300
Other revenue	-	-	-	-	156,000	156,000	141,334	(14,666)	-	-	17,901	17,901
TOTAL REVENUES	435,000	435,000	430,899	(4,101)	623,200	623,200	766,576	143,376	12,000	12,000	142,680	130,680
EXPENDITURES:												
Current operations:												
Public works	354,200	420,200	417,658	2,542	-	-	-	-	207,500	257,500	280,797	(23,297)
Other governmental	-	-	-	-	-	-	-	-	-	-	-	-
Debt service:												
Principal	-	6,000	19,270	(13,270)	52,300	52,300	67,223	(14,923)	-	-	15,990	(15,990)
Interest and fiscal charges	-	20,000	4,924	15,076	26,700	26,700	48,229	(21,529)	-	-	4,086	(4,086)
Capital outlay	-	-	-	-	595,700	759,200	632,534	126,666	-	-	-	-
TOTAL EXPENDITURES	354,200	446,200	441,852	4,348	674,700	838,200	747,986	90,214	207,500	257,500	300,873	(43,373)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	80,800	(11,200)	(10,953)	247	(51,500)	(215,000)	18,590	233,590	(195,500)	(245,500)	(158,193)	87,307
OTHER FINANCING SOURCES (USES):												
Transfers in	-	-	-	-	-	-	-	-	150,000	150,000	183,268	33,268
Transfers (out)	(129,000)	(179,000)	-	179,000	(90,000)	(90,000)	(90,000)	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(129,000)	(179,000)	-	179,000	(90,000)	(90,000)	(90,000)	-	150,000	150,000	183,268	33,268
CHANGE IN FUND BALANCE	(48,200)	(190,200)	(10,953)	179,247	(141,500)	(305,000)	(71,410)	233,590	(45,500)	(95,500)	25,075	120,575
Fund balance, beginning of year	55,538	55,538	55,538	-	480,896	480,896	480,896	-	53,537	53,537	53,537	-
FUND BALANCE, END OF YEAR	\$ 7,338	\$ (134,662)	\$ 44,585	\$ 179,247	\$ 339,396	\$ 175,896	\$ 409,486	\$ 233,590	\$ 8,037	\$ (41,963)	\$ 78,612	\$ 120,575

OTHER FINANCIAL INFORMATION

City of Ishpeming, Michigan

MAJOR GOVERNMENTAL FUNDS

GENERAL FUND

The function of the General Fund is to record all revenues and expenditures of the City which are not accounted for in other funds. The General Fund receives revenue from many sources which are used to finance a wide range of City activities.

The major activities financed by the General Fund are Legislative, Fire and Police Protection, Public Works, Parks and Recreation, City Administration and most public services.

SPECIAL REVENUE FUNDS

The function of the Special Revenue Funds is to record revenues and expenditures for specific functions or activities within restrictions imposed by City Charter, ordinances, resolutions and/or Federal and State statutes. The modified accrual basis of accounting is used in recording Special Revenue Fund transactions. The MAJOR STREET FUND, PUBLIC IMPROVEMENT FUND and TIF DISTRICT FUND are Major Special Revenue Fund types.

City of Ishpeming
General Fund
Balance Sheet
December 31, 2005
With Comparative Actual Amounts at December 31, 2004

	<u>2005</u>	<u>2004</u>
ASSETS:		
Cash and equivalents	\$ -	\$ -
Investments	15,000	15,000
Accounts receivable	382,517	282,784
Taxes receivable	568,371	519,451
Due from others	37,532	215,965
Due from other funds	1,196,876	1,340,787
Prepaid expenses	<u>88,723</u>	<u>143,010</u>
TOTAL ASSETS	\$ <u>2,289,019</u>	\$ <u>2,516,997</u>
LIABILITIES AND FUND BALANCE		
LIABILITIES:		
Cash Overdraft	\$ 866,585	\$ 719,173
Accounts payable	68,126	85,482
Accrued payroll	95,866	72,019
Accrued sick and vacation	5,338	3,954
Accrued liabilities	6,643	8,260
Due to other funds	213,288	495,532
Deferred revenue	<u>974,331</u>	<u>973,941</u>
TOTAL LIABILITIES	<u>2,230,177</u>	<u>2,358,361</u>
FUND BALANCE:		
Unreserved	<u>58,842</u>	<u>158,636</u>
TOTAL LIABILITIES AND FUND BALANCE	\$ <u>2,289,019</u>	\$ <u>2,516,997</u>

City of Ishpeming
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2005
With Comparative Actual Amounts for the Year Ended December 31, 2004

	2005		Variance with	
	Final		Final Budget	2004
	Amended	Actual	Positive	Actual
	Budget		(Negative)	
REVENUES:				
Taxes	\$ 1,175,000	\$ 1,186,379	\$ 11,379	\$ 1,177,029
State sources	1,009,800	998,034	(11,766)	1,009,117
Local sources	26,400	23,695	(2,705)	2,642
Licenses and permits	50,300	63,741	13,441	50,550
Charges for services	86,160	80,470	(5,690)	81,850
Interest & rentals	263,000	264,553	1,553	313,147
Contributions	3,000	5,174	2,174	3,130
Fines and forfeitures	49,500	68,949	19,449	57,396
Other revenue	21,000	39,017	18,017	72,503
TOTAL REVENUES	2,684,160	2,730,012	45,852	2,767,364
EXPENDITURES:				
Legislative:				
City council	26,200	18,602	7,598	26,834
General Government:				
City manager	96,000	92,820	3,180	93,872
Elections	5,250	1,273	3,977	7,984
City assessor	51,200	50,070	1,130	50,356
City attorney	46,500	38,594	7,906	41,348
City clerk	44,800	41,510	3,290	44,625
Board of review	1,400	1,100	300	1,323
City treasurer	48,000	45,049	2,951	46,043
City hall and grounds	42,100	40,650	1,450	35,425
Cemetery	150,100	131,518	18,582	142,645
Non-departmental:				
Employee benefits	798,000	755,278	42,722	659,399
Insurance & bonds	100,000	95,894	4,106	95,515
Other services & charges	86,000	56,037	29,963	84,546
Total General Government	1,469,350	1,349,793	119,557	1,303,081
Public safety:				
Police	544,300	561,615	(17,315)	546,375
Fire	98,700	131,867	(33,167)	99,065
Planning commission	1,000	958	42	820
Zoning board of appeals	500	1,358	(858)	465
Total Public Safety	644,500	695,798	(51,298)	646,725

City of Ishpeming
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2005
With Comparative Actual Amounts for the Year Ended December 31, 2004

	2005		Variance with	
	Final		Final Budget	2004
	Amended		Positive	
	Budget	Actual	(Negative)	Actual
EXPENDITURES (continued):				
Public Works:				
Administration	\$ 187,000	\$ 203,271	\$ (16,271)	\$ 206,234
Equipment maintenance	164,100	194,514	(30,414)	209,577
Alleys and sidewalks	31,000	25,529	5,471	39,359
Street trees	6,200	6,618	(418)	6,277
City engineer	59,500	50,826	8,674	42,374
Street lighting	90,000	100,899	(10,899)	101,022
Total Public Works	537,800	581,657	(43,857)	604,843
Recreation and Culture:				
Administration	4,400	3,639	761	4,393
Playlots	4,000	3,184	816	3,037
Al quaal	76,400	78,500	(2,100)	76,414
Teal lake beach	-	-	-	537
Playground maintenance	69,400	62,389	7,011	50,261
Library	108,550	110,684	(2,134)	105,125
Total Recreation and Culture	262,750	258,396	4,354	239,767
TOTAL EXPENDITURES	2,940,600	2,904,246	36,354	2,821,250
EXCESS REVENUES OVER (UNDER) EXPENDITURES	(256,440)	(174,234)	82,206	(53,886)
OTHER FINANCING SOURCES (USES):				
Transfers in	200,500	194,635	(5,865)	86,967
Transfers (out)	(25,000)	(120,195)	(95,195)	(123,355)
TOTAL OTHER FINANCING SOURCES (USES)	175,500	74,440	(101,060)	(36,388)
CHANGE IN FUND BALANCE	(80,940)	(99,794)	(18,854)	(90,274)
Fund balance, beginning of year	158,636	158,636	-	248,910
FUND BALANCE, END OF YEAR	\$ 77,696	\$ 58,842	\$ 18,854	\$ 158,636

City of Ishpeming
Major Streets Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2005
With Comparative Actual Amounts for the Year Ended December 31, 2004

	2005		Variance with	
	Final		Final Budget	2004
	Amended		Positive	
	Budget	Actual	(Negative)	Actual
REVENUES:				
State sources	435,000	430,025	(4,975)	464,184
Interest and rentals	-	874	874	1,035
TOTAL REVENUES	435,000	430,899	(4,101)	465,219
EXPENDITURES:				
Construction	50,000	89	49,911	1,423
Routine maintenance	50,000	60,775	(10,775)	52,383
Traffic service	12,100	8,349	3,751	7,559
Winter maintenance	190,000	234,982	(44,982)	277,141
Administration	81,100	77,054	4,046	76,714
State trunkline maintenance	37,000	36,409	591	42,683
Debt service:				
Principal	6,000	19,270	(13,270)	18,330
Interest	20,000	4,924	15,076	12,242
TOTAL EXPENDITURES	446,200	441,852	4,348	488,475
REVENUES OVER (UNDER) EXPENDITURES	(11,200)	(10,953)	247	(23,256)
OTHER FINANCING SOURCES (USES):				
Transfers (out)	(179,000)	-	(179,000)	(116,000)
CHANGE IN FUND BALANCE	(190,200)	(10,953)	179,247	(139,256)
Fund balance, beginning of year	55,538	55,538	-	194,794
FUND BALANCE, END OF YEAR	\$ (134,662)	\$ 44,585	\$ (179,247)	\$ 55,538

City of Ishpeming
Public Improvement Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2005
With Comparative Actual Amounts for the Year Ended December 31, 2004

	2005		Variance with	
	Final		Final Budget	
	Amended		Positive	2004
	Budget	Actual	(Negative)	Actual
REVENUES:				
Taxes	\$ 356,200	\$ 325,546	\$ (30,654)	\$ 313,065
Federal sources	-	202,845	202,845	1,000
Interest and rentals	1,000	7,926	6,926	3,370
Contributions	110,000	88,925	(21,075)	110,000
Other revenue	156,000	141,334	(14,666)	187,795
TOTAL REVENUES	623,200	766,576	143,376	615,230
EXPENDITURES:				
Capital Outlay:				
City manager	1,000	595	405	-
City assessor	5,000	4,495	505	-
City clerk	2,000	-	2,000	-
City treasurer	5,000	-	5,000	2,000
City hall & grounds	100,000	69,086	30,914	-
Cemetery	50,200	43,088	7,112	10,173
Police	60,300	59,034	1,266	44,395
Fire	65,200	25,236	39,964	28,229
Public works	350,000	378,555	(28,555)	203,907
Parks	16,000	12,308	3,692	4,820
Playlots	1,000	700	300	8,459
Al Quaal	4,000	-	4,000	2,769
Library	91,500	36,354	55,146	23,403
Contracted services	8,000	3,083	4,917	9,845
Total Capital Outlay	759,200	632,534	126,666	338,000
Debt Service:				
Principal	52,300	67,223	(14,923)	40,000
Interest	26,700	48,229	(21,529)	29,664
TOTAL EXPENDITURES	838,200	747,986	90,214	407,664
REVENUES OVER (UNDER) EXPENDITURES	(215,000)	18,590	233,590	207,566
OTHER FINANCING SOURCES (USES):				
Transfers (out)	(90,000)	(90,000)	-	(59,285)
TOTAL OTHER FINANCING SOURCES (USES)	(90,000)	(90,000)	-	(59,285)
CHANGE IN FUND BALANCE	(305,000)	(71,410)	(233,590)	148,281
Fund balance, beginning of year	480,896	480,896	-	332,615
FUND BALANCE, END OF YEAR \$	\$ 175,896	\$ 409,486	\$ (233,590)	\$ 480,896

City of Ishpeming
TIF District Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2005
With Comparative Actual Amounts for the Year Ended December 31, 2004

	2005		Variance with	
	Final		Final Budget	
	Amended		Positive	2004
	Budget	Actual	(Negative)	Actual
REVENUES:				
Federal sources	-	62,923	62,923	256,050
Interest and rentals	1,000	556	(444)	211
Contributions	11,000	61,300	50,300	12,860
Other revenue	-	17,901	17,901	1,750
TOTAL REVENUES	12,000	142,680	130,680	270,871
EXPENDITURES:				
Debt service:				
Principal	-	15,990	(15,990)	15,210
Interest	-	4,086	(4,086)	4,269
Other governmental	257,500	280,797	(23,297)	612,936
TOTAL EXPENDITURES	257,500	300,873	(43,373)	632,415
REVENUES OVER (UNDER) EXPENDITURES	(245,500)	(158,193)	87,307	(361,544)
OTHER FINANCING SOURCES (USES):				
Transfers in	150,000	183,268	33,268	246,434
CHANGE IN FUND BALANCE	(95,500)	25,075	120,575	(115,110)
Fund balance, beginning of year	53,537	53,537	-	168,647
FUND BALANCE, END OF YEAR	\$ (41,963)	\$ 78,612	\$ 120,575	\$ 53,537

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

The function of the Special Revenue Funds is to record revenues and expenditures for specific functions or activities within restrictions imposed by City Charter, ordinances, resolutions and/or Federal and State statutes. The modified accrual basis of accounting is used in recording Special Revenue Fund transactions. The LOCAL STREETS FUND, LAKE BANCROFT FUND, D.A.R.E. FUND, LIBRARY STATE AID FUND, ALQUAAL FUND, PARKING METER FUND, GARBAGE & RUBBISH FUND, BROWNFIELD REVITALIZATION FUND, REVOLVING LOAN FUND and BUILDING AUTHORITY FUND, are Nonmajor Special Revenue Fund types.

PERMANENT FUNDS

The function of the Permanent Funds is to account for funds where only the interest earnings may be used. The principal cannot be spent. The accrual basis of accounting is used in recording Permanent Fund transactions. The PERPETUAL CARE FUND and CEMETERY CARE FUND are Permanent Fund types.

City of Ishpeming, Michigan
 Nonmajor Governmental Funds
 Combining Balance Sheet
 December 31, 2005

ASSETS

	Special Revenue Funds	Permanent Funds		Total Nonmajor Governmental Funds
		Perpetual Care Fund	Cemetery Care Fund	Total
Cash and cash equivalents	\$ 538,121	\$ 86,979	\$ 27,982	\$ 114,961
Investments	-	677,283	85,100	762,383
Accounts receivable, net	24,135	-	-	24,135
Taxes receivable	194,864	-	-	194,864
Due from other governments	22,236	-	-	22,236
Due from other funds	164,506	1,271	4,709	5,980
Notes receivable	338,450	-	-	-
TOTAL ASSETS	\$ 1,282,312	\$ 765,533	\$ 117,791	\$ 883,324

LIABILITIES AND FUND BALANCE

LIABILITIES:

Cash overdrafts	\$ 20,247	\$ -	\$ -	\$ 20,247
Accounts payable	22,375	-	-	22,375
Accrued payroll	3,460	-	-	3,460
Accrued sick and vacation	393	-	-	393
Due to other funds	268,189	39,530	6,376	314,095
Deferred revenue	194,864	-	-	194,864
TOTAL LIABILITIES	509,528	39,530	6,376	555,434

FUND BALANCE:

Reserved for:				
Cemetery Trust	-	726,003	111,415	837,418
Special Projects	28,878	-	-	28,878
Unreserved, reported in:				
Special revenue funds	743,906	-	-	743,906
TOTAL FUND BALANCE	772,784	726,003	111,415	1,610,202

TOTAL LIABILITIES AND FUND BALANCE

\$ 1,282,312	\$ 765,533	\$ 117,791	\$ 883,324	\$ 2,165,636
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City of Ishpeming, Michigan
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended December 31, 2005

	Special Revenue Funds	Permanent Funds			Total Nonmajor Governmental Funds
		Perpetual Care Fund	Cemetery Care Fund	Total	
REVENUES:					
Taxes	\$ 195,325	\$ -	\$ -	\$ -	\$ 195,325
Federal sources	317,700	-	-	-	317,700
State sources	221,684	-	-	-	221,684
Charges for services	232,266	24,460	7,990	32,450	264,715
Interest income and rentals	14,095	39,530	5,105	44,635	58,730
Contributions	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-
Other revenues	36,638	-	-	-	36,638
TOTAL REVENUES	1,017,707	63,990	13,095	77,085	1,094,792
EXPENDITURES:					
Current operations:					
Public safety	-	-	-	-	-
Public works	671,793	-	-	-	671,793
Recreation and culture	23,520	-	-	-	23,520
Other governmental	332,604	-	-	-	332,604
Debt service:					
Principal	24,740	-	-	-	24,740
Interest and fiscal charges	49,337	-	-	-	49,337
Capital outlay	-	-	-	-	-
TOTAL EXPENDITURES	1,101,994	-	-	-	1,101,994
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(84,287)	63,990	13,095	77,085	(7,202)
OTHER FINANCING SOURCES (USES):					
Investment in landfill	(36,234)	-	-	-	(36,234)
Transfers in	210,195	-	-	-	210,195
Transfers (out)	-	(39,530)	(5,105)	(44,635)	(44,635)
TOTAL OTHER FINANCING SOURCES (USES)	173,961	(39,530)	(5,105)	(44,635)	129,326
CHANGE IN FUND BALANCE	89,674	24,460	7,990	32,450	122,124
Fund balance, beginning of year	683,110	701,543	103,425	804,968	1,488,078
FUND BALANCE, END OF YEAR	\$ 772,784	\$ 726,003	\$ 111,415	\$ 837,418	\$ 1,610,202

City of Ithpeming, Michigan
Nonmajor Special Revenue Funds
Combining Balance Sheet
December 31, 2005

	Local Streets Fund	D.A.R.E. Fund	Library State Aid Fund	Al Quaal Fund	Garbage & Rubbish Fund	Brownfield Revitalization Fund	Revolving Loan Fund	Building Authority Fund	Total
ASSETS									
Cash and cash equivalents	\$ -	\$ 7,560	\$ 45,563	\$ 84,298	\$ 105,862	\$ -	\$ 239,847	\$ 54,991	\$ 538,121
Accounts receivable, net	-	-	-	-	24,135	-	-	-	24,135
Taxes receivable	-	-	-	-	194,864	-	-	-	194,864
Due from other governments	22,136	-	-	-	-	-	100	-	22,236
Due from other funds	-	-	-	-	-	-	665	163,841	164,506
Notes receivable	-	-	-	-	-	-	338,450	-	338,450
TOTAL ASSETS	\$ 22,136	\$ 7,560	\$ 45,563	\$ 84,298	\$ 324,861	\$ -	\$ 579,062	\$ 218,832	\$ 1,282,312

LIABILITIES AND FUND BALANCE

LIABILITIES:									
Cash overdrafts	\$ 20,247	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,247
Accounts payable	-	-	-	-	22,375	-	-	-	22,375
Accrued payroll	1,889	-	-	-	1,571	-	-	-	3,460
Accrued sick and vacation	-	-	-	-	393	-	-	-	393
Due to other funds	-	-	7,602	-	-	-	50,000	210,587	268,189
Deferred revenue	-	-	-	-	194,864	-	-	-	194,864
TOTAL LIABILITIES	22,136	-	7,602	-	219,203	-	50,000	210,587	509,528
FUND BALANCE:									
Reserved for special projects	-	-	-	-	28,878	-	-	-	28,878
Unreserved	-	7,560	37,961	84,298	76,780	-	529,062	8,245	743,906
TOTAL FUND BALANCE	-	7,560	37,961	84,298	105,658	-	529,062	8,245	772,784
TOTAL LIABILITIES AND FUND BALANCE	\$ 22,136	\$ 7,560	\$ 45,563	\$ 84,298	\$ 324,861	\$ -	\$ 579,062	\$ 218,832	\$ 1,282,312

City of Ishpeming, Michigan
Nonmajor Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended December 31, 2005

	Local Streets Fund	D.A.R.E. Fund	Library State Aid Fund	Al Quaal Fund	Garbage & Rubbish Fund	Brownfield Revitalization Fund	Revolving Loan Fund	Building Authority Fund	Total
REVENUES:									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 195,325	\$ -	\$ -	\$ -	\$ 195,325
Federal sources	-	-	-	-	-	-	-	317,700	317,700
State sources	209,606	-	12,078	-	-	-	-	-	221,684
Charges for services	-	-	-	-	232,265	-	-	-	232,265
Interest and rentals	-	158	589	1,807	31	-	11,510	-	14,095
Contributions	-	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-	-
Other revenue	-	-	-	58	3,380	-	33,200	-	36,638
TOTAL REVENUES	209,606	158	12,667	1,865	431,001	-	44,710	317,700	1,017,707
EXPENDITURES:									
Current operations:									
Public safety	-	-	-	-	-	-	-	-	-
Public works	322,594	-	-	-	314,199	-	-	-	636,793
Recreation and culture	-	-	20,894	2,626	-	-	-	-	23,520
Other governmental	-	-	-	-	-	-	19	332,585	332,604
Debt service:									
Principal	5,740	-	-	-	35,000	-	-	19,000	59,740
Interest and fiscal charges	1,467	-	-	-	-	-	-	47,870	49,337
Capital outlay	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	329,801	-	20,894	2,626	349,199	-	19	399,455	1,101,994
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(120,195)	158	(8,227)	(761)	81,802	-	44,691	(81,755)	(84,287)
OTHER FINANCING SOURCES:									
Investment in landfill	-	-	-	-	(36,234)	-	-	-	(36,234)
Transfers in	120,195	-	-	-	-	-	-	90,000	210,195
Transfers (out)	-	-	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	120,195	-	-	-	(36,234)	-	-	90,000	173,961
CHANGE IN FUND BALANCE	-	158	(8,227)	(761)	45,568	-	44,691	8,245	89,674
Fund balance, beginning of year	-	7,402	46,188	85,059	60,090	-	484,371	-	683,110
FUND BALANCE, END OF YEAR	\$ -	\$ 7,560	\$ 37,961	\$ 84,298	\$ 105,658	\$ -	\$ 529,062	\$ 8,245	\$ 772,784

City of Ishpeming
Local Streets Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2005
With Comparative Actual Amounts for the Year Ended December 31, 2004

	2005		Variance with	
	Final		Final Budget	2004
	Amended		Positive	2004
	Budget	Actual	(Negative)	Actual
REVENUES:				
State sources	\$ 220,000	\$ 209,606	\$ (10,394)	\$ 220,801
TOTAL REVENUES	220,000	209,606	(10,394)	220,801
EXPENDITURES:				
Construction	55,000	6,698	48,302	40,299
Routine maintenance	99,000	33,505	65,495	101,340
Traffic service	16,000	9,101	6,899	11,692
Winter maintenance	169,000	213,366	(44,366)	204,448
Administration	75,000	59,924	15,076	71,549
Debt service:				
Principal	6,000	5,740	260	5,460
Interest	2,000	1,467	533	1,532
TOTAL EXPENDITURES	422,000	329,801	92,199	436,320
REVENUES OVER (UNDER) EXPENDITURES	(202,000)	(120,195)	81,805	(215,519)
OTHER FINANCING SOURCES (USES):				
Transfers in	204,000	120,195	(83,805)	215,519
CHANGE IN FUND BALANCE	2,000	-	(2,000)	-
Fund balance, beginning of year	-	-	-	-
FUND BALANCE, END OF YEAR	\$ 2,000	\$ -	\$ 2,000	\$ -

City of Ishpeming
Lake Bancroft Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2005
With Comparative Actual Amounts for the Year Ended December 31, 2004

	2005		Variance with	
	Final		Final Budget	
	Amended		Positive	2004
	Budget	Actual	(Negative)	Actual
REVENUES:				
Interest and rentals	\$ -	\$ -	\$ -	65
Contributions	-	-	-	730
TOTAL REVENUES	-	-	-	795
EXPENDITURES:				
Recreation and culture	-	-	-	360
TOTAL EXPENDITURES	-	-	-	360
REVENUES OVER (UNDER) EXPENDITURES	-	-	-	435
OTHER FINANCING SOURCES (USES):				
Transfers out	-	-	-	10,944
CHANGE IN FUND BALANCE	-	-	-	(10,509)
Fund balance, beginning of year	-	-	-	10,509
FUND BALANCE, END OF YEAR	\$ -	\$ -	\$ -	-

City of Ishpeming
D.A.R.E. Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2005
With Comparative Actual Amounts for the Year Ended December 31, 2004

	<u>2005</u>		Variance with	
	Final		Final Budget	
	Amended		Positive	2004
	Budget	Actual	(Negative)	Actual
REVENUES:				
Interest and rentals	\$ -	\$ 158	\$ 158	\$ 45
Contributions	-	-	-	30
TOTAL REVENUES	-	158	158	75
EXPENDITURES:				
Public safety	-	-	-	805
TOTAL EXPENDITURES	-	-	-	805
CHANGE IN FUND BALANCE	-	158	158	(730)
Fund balance, beginning of year	7,402	7,402	-	8,132
FUND BALANCE, END OF YEAR	\$ 7,402	\$ 7,560	\$ (158)	\$ 7,402

City of Ishpeming
Library State Aid Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2005
With Comparative Actual Amounts for the Year Ended December 31, 2004

	2005		Variance with	
	Final		Final Budget	
	Amended		Positive	2004
	Budget	Actual	(Negative)	Actual
REVENUES:				
State sources	\$ 14,000	\$ 12,078	\$ (1,922)	\$ 14,213
Interest and rentals	<u>1,000</u>	<u>589</u>	<u>(411)</u>	<u>693</u>
TOTAL REVENUES	<u>15,000</u>	<u>12,667</u>	<u>(2,333)</u>	<u>14,906</u>
EXPENDITURES:				
Recreation and culture	<u>18,500</u>	<u>20,894</u>	<u>(2,394)</u>	<u>10,958</u>
TOTAL EXPENDITURES	<u>18,500</u>	<u>20,894</u>	<u>(2,394)</u>	<u>10,958</u>
CHANGE IN FUND BALANCE	(3,500)	(8,227)	(4,727)	3,948
Fund balance, beginning of year	<u>46,188</u>	<u>46,188</u>	<u>-</u>	<u>42,240</u>
FUND BALANCE, END OF YEAR \$	<u>42,688</u>	<u>\$ 37,961</u>	<u>\$ 4,727</u>	<u>\$ 46,188</u>

City of Ishpeming
Al Quaal Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2005
With Comparative Actual Amounts for the Year Ended December 31, 2004

	2005		Variance with	
	Final		Final Budget	2004
	Amended		Positive	
	Budget	Actual	(Negative)	Actual
REVENUES:				
Charges for services	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-
Interest and rentals	100	1,807	1,707	415
Contributions	-	-	-	50,000
Other revenue	-	58	58	-
TOTAL REVENUES	100	1,865	1,765	50,415
EXPENDITURES:				
Recreation and culture	10,000	2,626	7,374	2,346
TOTAL EXPENDITURES	10,000	2,626	7,374	2,346
REVENUES OVER (UNDER) EXPENDITURES	(9,900)	(761)	9,139	48,069
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
CHANGES IN FUND BALANCE	(9,900)	(761)	9,139	48,069
Fund balance, beginning of year	85,059	85,059	-	36,990
FUND BALANCE, END OF YEAR \$	75,159	\$ 84,298	\$ (9,139)	\$ 85,059

City of Ishpeming
Parking Meter Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2005
With Comparative Actual Amounts for the Year Ended December 31, 2004

	2005		Variance with	
	Final		Final Budget	
	Amended		Positive	2004
	Budget	Actual	(Negative)	Actual
REVENUES:				
Interest and rentals	\$ -	\$ -	\$ -	171
Fines and forfeitures	-	-	-	10,455
Other revenue	-	-	-	1,421
TOTAL REVENUES	-	-	-	12,047
EXPENDITURES:				
Public safety	-	-	-	246
TOTAL EXPENDITURES	-	-	-	246
REVENUES OVER (UNDER) EXPENDITURES	-	-	-	11,801
OTHER FINANCING SOURCES (USES):				
Transfers (out)	-	-	-	(30,690)
CHANGE IN FUND BALANCE	-	-	-	(18,889)
Fund balance, beginning of year	-	-	-	18,889
FUND BALANCE, END OF YEAR	\$ -	\$ -	\$ -	-

City of Ishpeming
Garbage and Rubbish Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2005
With Comparative Actual Amounts for the Year Ended December 31, 2004

	<u>2005</u>		Variance with	
	Final		Final Budget	
	Amended		Positive	2004
	Budget	Actual	(Negative)	Actual
REVENUES:				
Taxes	\$ 213,600	\$ 195,325	\$ (18,275)	\$ 187,838
Charges for services	220,000	232,265	12,265	232,460
Interest and rentals	100	31	(69)	465
Other revenue	1,000	3,380	2,380	3,720
TOTAL REVENUES	<u>434,700</u>	<u>431,001</u>	<u>(3,699)</u>	<u>424,483</u>
EXPENDITURES:				
Public works	<u>376,700</u>	<u>349,199</u>	<u>27,501</u>	<u>373,466</u>
TOTAL EXPENDITURES	<u>376,700</u>	<u>349,199</u>	<u>27,501</u>	<u>373,466</u>
REVENUES OVER (UNDER) EXPENDITURES	58,000	81,802	23,802	51,017
OTHER FINANCING SOURCES (USES):				
Investment in landfill	<u>(35,000)</u>	<u>(36,234)</u>	<u>(1,234)</u>	<u>(38,701)</u>
CHANGE IN FUND BALANCE	23,000	45,568	22,568	12,316
Fund balance, beginning of year	<u>60,090</u>	<u>60,090</u>	<u>-</u>	<u>47,774</u>
FUND BALANCE, END OF YEAR	<u>\$ 83,090</u>	<u>\$ 105,658</u>	<u>\$ (22,568)</u>	<u>\$ 60,090</u>

City of Ishpeming
Brownfield Revitalization Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2005
With Comparative Actual Amounts for the Year Ended December 31, 2004

	2005			
	Final		Variance	2004
	Amended		Favorable	
	Budget	Actual	(Unfavorable)	Actual
REVENUES:				
State sources	\$ -	\$ -	\$ -	-
Interest and rentals	-	-	-	42
Other revenue	-	-	-	-
TOTAL REVENUES	-	-	-	42
EXPENDITURES:				
Other governmental	6,126	-	6,126	41,080
Debt service:				
Principal	-	-	-	8,824
Interest	-	-	-	-
TOTAL EXPENDITURES	6,126	-	6,126	49,904
REVENUES OVER (UNDER) EXPENDITURES	(6,126)	-	6,126	(49,862)
OTHER FINANCING SOURCES (USES):				
Operating transfers in	-	-	-	23,836
CHANGE IN FUND BALANCE	(6,126)	-	(6,126)	(26,026)
Fund balance, beginning of year	-	-	-	26,026
FUND BALANCE, END OF YEAR	\$ (6,126)	\$ -	\$ (6,126)	\$ -

City of Ishpeming
Revolving Loan Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2005
With Comparative Actual Amounts for the Year Ended December 31, 2004

	2005		Variance with	2004
	Final		Final Budget	
	Amended		Positive	
	Budget	Actual	(Negative)	Actual
REVENUES:				
Interest and rentals	\$ 10,000	\$ 11,510	\$ 1,510	\$ 9,181
Other revenue	-	33,200	33,200	67,737
TOTAL REVENUES	10,000	44,710	34,710	76,918
EXPENDITURES:				
Other governmental	-	19	(19)	14
TOTAL EXPENDITURES	-	19	(19)	14
REVENUES OVER (UNDER) EXPENDITURES	10,000	44,691	34,691	76,904
OTHER FINANCING SOURCES (USES):				
CHANGE IN FUND BALANCE	10,000	44,691	(34,691)	76,904
Fund balance, beginning of year	484,371	484,371	-	407,467
FUND BALANCE, END OF YEAR	\$ 494,371	\$ 529,062	\$ (34,691)	\$ 484,371

City of Ishpeming
Building Authority Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2005
With Comparative Actual Amounts for the Year Ended December 31, 2004

	2005		Variance with	
	Final		Final Budget	
	Amended		Positive	2004
	Budget	Actual	(Negative)	Actual
REVENUES:				
Federal sources	\$ -	\$ 317,700	\$ 317,700	\$ 23,400
Contributions	-	-	-	17,585
TOTAL REVENUES	-	317,700	317,700	40,985
EXPENDITURES:				
Other governmental	22,000	332,585	(310,585)	36,620
Debt service:				
Principal	19,000	19,000	-	17,000
Interest	48,000	47,870	130	46,650
TOTAL EXPENDITURES	89,000	399,455	(310,455)	100,270
REVENUES OVER (UNDER) EXPENDITURES	(89,000)	(81,755)	7,245	(59,285)
OTHER FINANCING SOURCES (USES):				
Transfers in	90,000	90,000	-	59,285
CHANGE IN FUND BALANCE	1,000	8,245	(7,245)	-
Fund balance, beginning of year	-	-	-	-
FUND BALANCE, END OF YEAR	\$ 1,000	\$ 8,245	\$ (7,245)	\$ -

City Of Ishpeming, Michigan

ENTERPRISE FUNDS

The function of the Enterprise Funds is to record the financing, acquisition, operation and maintenance of the City activities that are predominantly self-supporting from user charges. The accrual basis of accounting is used in recording Enterprise Fund transactions.

City of Ishpeming, Michigan
Ambulance Fund
Statement of Net Assets
December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ -	\$ -
Accounts receivable	648,943	625,342
Allowance for uncollectible accounts	(200,000)	(140,000)
Other current assets	<u>-</u>	<u>-</u>
TOTAL CURRENT ASSETS	<u>448,943</u>	<u>485,342</u>
Noncurrent Assets:		
Property, plant and equipment	267,420	247,420
Accumulated depreciation	<u>(242,726)</u>	<u>(211,329)</u>
TOTAL NONCURRENT ASSETS	<u>24,694</u>	<u>36,091</u>
TOTAL ASSETS	<u>473,637</u>	<u>521,433</u>
LIABILITIES		
Current Liabilities:		
Cash overdrafts	185,856	94,634
Accounts payable	2,717	9,525
Accrued payroll	63,368	18,497
Accrued sick and vacation	<u>-</u>	<u>42,743</u>
TOTAL CURRENT LIABILITIES	<u>251,941</u>	<u>165,399</u>
TOTAL LIABILITIES	<u>251,941</u>	<u>165,399</u>
NET ASSETS		
Invested in capital assets net of related debt	24,694	36,091
Net Assets:		
Unrestricted	<u>197,002</u>	<u>319,943</u>
TOTAL NET ASSETS	<u><u>\$ 221,696</u></u>	<u><u>\$ 356,034</u></u>

City of Ishpeming, Michigan
Ambulance Fund
Schedule of Revenues, Expenses and Changes in Net Assets - Budget and Actual
For the Year Ended December 31, 2005
With Comparative Actual Amounts for the Year Ended December 31, 2004

	2005	2004
OPERATING REVENUES:		
Charges for services	\$ 605,806	\$ 621,209
Other operating revenues	220	31,000
TOTAL OPERATING REVENUES	<u>606,026</u>	<u>652,209</u>
OPERATING EXPENSES:		
Personal services	602,275	555,720
Capital outlay	2,368	7,292
Supplies	20,212	26,534
Utilities	6,704	5,652
Depreciation	11,397	25,791
Other expenses	97,527	117,611
TOTAL OPERATING EXPENSES	<u>740,483</u>	<u>738,600</u>
OPERATING INCOME (LOSS)	<u>(134,457)</u>	<u>(86,391)</u>
NONOPERATING REVENUES (EXPENSES):		
Interest income and rentals	119	187
TOTAL NONOPERATING (EXPENSES)	<u>119</u>	<u>187</u>
CHANGE IN NET ASSETS	(134,338)	(86,204)
Net assets, beginning of year	356,034	442,238
NET ASSETS, END OF YEAR	<u>\$ 221,696</u>	<u>\$ 356,034</u>

City of Ishpeming, Michigan
Ambulance Fund
Statement of Cash Flows
For the Year Ended December 31, 2005
With Comparative Actual Amounts for the Year Ended December 31, 2004

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from fees and charges for services	\$ 642,205	\$ 679,531
Other operating revenues	220	31,000
Cash payments to employees for services	(600,147)	(551,097)
Cash payments for payroll taxes	(46,074)	(42,513)
Cash payments to suppliers for goods and services	(87,545)	(111,234)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(91,341)</u>	<u>5,687</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Transfers in (out)	-	-
Increase in due to other funds	-	-
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>-</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	-	-
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>-</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income	119	187
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>119</u>	<u>187</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(91,222)	5,874
Cash and cash equivalents, beginning of year	(94,634)	(100,508)
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ (185,856)</u>	<u>\$ (94,634)</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ (134,457)	\$ (86,391)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	11,397	25,791
Change in assets and liabilities:		
(Increase) decrease in accounts receivable, net	36,399	58,322
Increase (decrease) in accounts payable	(6,808)	3,342
Increase (decrease) in accrued payroll	44,871	1,483
Increase (decrease) in accrued sick and vacation	(42,743)	3,140
NET ADJUSTMENTS	<u>43,116</u>	<u>92,078</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (91,341)</u>	<u>\$ 5,687</u>

City of Ishpeming, Michigan
Sewer Fund
Statement of Net Assets
December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 304,062	\$ 292,854
Accounts receivable	57,263	59,850
Allowance for uncollectible accounts	-	-
Prepaid expenses	<u>43,185</u>	<u>71,052</u>
TOTAL CURRENT ASSETS	<u>404,510</u>	<u>423,756</u>
Noncurrent Assets:		
Investment in Wastewater Treatment Facility	2,536,043	2,597,333
Property, plant and equipment	14,166,469	14,166,469
Accumulated depreciation	<u>(6,190,410)</u>	<u>(5,838,503)</u>
TOTAL NONCURRENT ASSETS	<u>10,512,102</u>	<u>10,925,299</u>
TOTAL ASSETS	<u>10,916,612</u>	<u>11,349,055</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	220	310
Accrued payroll	1,715	1,555
Other current liabilities	<u>-</u>	<u>-</u>
TOTAL CURRENT LIABILITIES	<u>1,935</u>	<u>1,865</u>
TOTAL LIABILITIES	<u>1,935</u>	<u>1,865</u>
NET ASSETS		
Invested in capital assets net of related debt	10,512,102	10,925,299
Net Assets:		
Unrestricted	<u>402,575</u>	<u>421,891</u>
TOTAL NET ASSETS	<u>\$ 10,914,677</u>	<u>\$ 11,347,190</u>

City of Ishpeming, Michigan
Sewer Fund
Schedule of Revenues, Expenses and Changes in Net Assets - Budget and Actual
For the Year Ended December 31, 2005
With Comparative Actual Amounts for the Year Ended December 31, 2004

	2005	2004
OPERATING REVENUES:		
Taxes	\$ -	\$ 422,908
Licenses and permits	450	180
Charges for services	713,367	713,641
TOTAL OPERATING REVENUES	<u>713,817</u>	<u>1,136,729</u>
OPERATING EXPENSES:		
Personal services	85,055	95,272
Contractual services	423,462	419,251
Supplies	42,166	24,517
Utilities	1,188	1,117
Depreciation	351,907	316,523
Payment in lieu of taxes	140,000	170,000
Other expenses	1,024	4,228
TOTAL OPERATING EXPENSES	<u>1,044,802</u>	<u>1,030,908</u>
OPERATING INCOME (LOSS)	<u>(330,985)</u>	<u>105,821</u>
NONOPERATING REVENUES (EXPENSES):		
Interest expense	-	(12,072)
Loss on wastewater facility	(61,290)	(109,738)
Interest income and rentals	9,762	1,979
TOTAL NONOPERATING (EXPENSES)	<u>(51,528)</u>	<u>(119,831)</u>
INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS	<u>(382,513)</u>	<u>(14,010)</u>
Capital contributions	-	1,387,444
Transfers (out)	(50,000)	-
CHANGE IN NET ASSETS	<u>(432,513)</u>	<u>1,373,434</u>
Net assets, beginning of year	<u>11,347,190</u>	<u>9,973,756</u>
NET ASSETS, END OF YEAR	<u><u>\$ 10,914,677</u></u>	<u><u>\$ 11,347,190</u></u>

City of Ishpeming, Michigan
Sewer Fund
Statement of Cash Flows
For the Year Ended December 31, 2005
With Comparative Actual Amounts for the Year Ended December 31, 2004

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from fees and charges for services	\$ 716,404	\$ 1,137,434
Other operating revenues	-	-
Cash payments to employees for services	(84,895)	(94,823)
Cash payments for payroll taxes	(6,507)	(7,288)
Cash payments to suppliers for goods and services	(573,556)	(670,539)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	51,446	364,784
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Transfers in (out)	(50,000)	-
Increase in due to other funds	-	-
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(50,000)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	-	(27,952)
Interest paid on long-term bonds	-	(18,108)
Principal payment on long-term bonds	-	(197,841)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	-	(243,901)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income	9,762	1,979
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	9,762	1,979
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	11,208	122,862
Cash and cash equivalents, beginning of year	292,854	169,992
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 304,062	\$ 292,854
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ (330,985)	\$ 105,821
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	351,907	316,523
Change in assets and liabilities:		
(Increase) decrease in accounts receivable, net	2,587	705
(Increase) decrease in taxes receivable	-	421,713
(Increase) decrease in prepaid expenses	27,867	(57,966)
Increase (decrease) in accounts payable	(90)	(748)
Increase (decrease) in accrued payroll	160	449
Increase (decrease) in deferred revenue	-	(421,713)
NET ADJUSTMENTS	382,431	258,963
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 51,446	\$ 364,784

City of Ishpeming, Michigan
Water Fund
Statement of Net Assets
December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 641,473	\$ 442,270
Accounts receivable	263,005	243,996
Allowance for uncollectible accounts	-	-
Other current assets	<u>-</u>	<u>-</u>
TOTAL CURRENT ASSETS	<u>904,478</u>	<u>686,266</u>
Noncurrent Assets:		
Investment in Joint Water Authority	3,507,323	3,507,323
Property, plant and equipment	3,468,071	3,369,443
Accumulated depreciation	<u>(1,799,220)</u>	<u>(1,719,971)</u>
TOTAL NONCURRENT ASSETS	<u>5,176,174</u>	<u>5,156,795</u>
TOTAL ASSETS	<u>6,080,652</u>	<u>5,843,061</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	50,209	27,368
Accrued liabilities	55,474	52,500
Accrued payroll	5,592	7,032
Accrued sick and vacation leave	30,862	37,312
Other current liabilities	<u>-</u>	<u>-</u>
TOTAL CURRENT LIABILITIES	<u>142,137</u>	<u>124,212</u>
TOTAL LIABILITIES	<u>142,137</u>	<u>124,212</u>
NET ASSETS		
Invested in capital assets net of related debt	5,176,174	5,156,794
Net Assets:		
Unrestricted	<u>762,341</u>	<u>562,055</u>
TOTAL NET ASSETS	<u>\$ 5,938,515</u>	<u>\$ 5,718,849</u>

City of Ishpeming, Michigan
Water Fund
Schedule of Revenues, Expenses and Changes in Net Assets - Budget and Actual
For the Year Ended December 31, 2005
With Comparative Actual Amounts for the Year Ended December 31, 2004

	2005	2004
OPERATING REVENUES:		
State sources	\$ 14,775	\$ -
Licenses and permits	500	200
Charges for services	980,788	995,646
Other revenue	13,213	17,004
TOTAL OPERATING REVENUES	1,009,276	1,012,850
OPERATING EXPENSES:		
Personal services	223,298	248,744
Contractual services	291,764	276,927
Supplies	43,603	64,363
Utilities	7,386	7,197
Depreciation	79,249	80,554
Payment in lieu of taxes	85,000	75,000
Other expenses	7,288	8,483
TOTAL OPERATING EXPENSES	737,588	761,268
OPERATING INCOME (LOSS)	271,688	251,582
NONOPERATING REVENUES (EXPENSES):		
Interest expense	-	(4,487)
Interest income and rentals	16,478	3,168
TOTAL NONOPERATING (EXPENSES)	16,478	(1,319)
INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS	288,166	250,263
Capital contributions	31,500	-
Transfers (out)	(100,000)	-
CHANGE IN NET ASSETS	219,666	250,263
Net assets, beginning of year	5,718,849	5,468,586
NET ASSETS, END OF YEAR	\$ 5,938,515	\$ 5,718,849

City of Ishpeming, Michigan
Water Fund
Statement of Cash Flows
For the Year Ended December 31, 2005
With Comparative Actual Amounts for the Year Ended December 31, 2004

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from fees and charges for services	\$ 977,054	\$ 1,012,479
Other operating revenues	13,213	17,004
Cash payments to employees for services	(231,188)	(259,223)
Cash payments for payroll taxes	(17,082)	(19,029)
Cash payments to suppliers for goods and services	(392,144)	(409,979)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>349,853</u>	<u>341,252</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Transfers in (out)	(100,000)	-
Increase in due to other funds	-	-
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>(100,000)</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	(98,628)	-
Capital contributions received	31,500	-
Interest paid on long-term bonds	-	(6,731)
Principal payment on long-term bonds	-	(69,231)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(67,128)</u>	<u>(75,962)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income	16,478	3,168
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>16,478</u>	<u>3,168</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	199,203	268,458
Cash and cash equivalents, beginning of year	442,270	173,812
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 641,473</u>	<u>\$ 442,270</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ 271,688	\$ 251,582
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	79,249	80,554
Change in assets and liabilities:		
(Increase) decrease in accounts receivable, net	(19,009)	16,633
Increase (decrease) in accounts payable	22,841	(63)
Increase (decrease) in customer deposits payable	2,974	3,025
Increase (decrease) in accrued payroll	(1,440)	1,927
Increase (decrease) in accrued sick and vacation	(6,450)	(12,406)
NET ADJUSTMENTS	<u>78,165</u>	<u>89,670</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 349,853</u>	<u>\$ 341,252</u>

City of Ishpeming, Michigan

FIDUCIARY FUNDS

The function of Fiduciary Funds is to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, or other funds. These include (a) private-purpose trust funds, (b) pension trust funds, and (c) agency funds.

City of Ishpeming, Michigan
Fiduciary Funds
Combining Statement of Fiduciary Net Assets
December 31, 2005

	Private-Purpose Trust Funds				Agency Funds		
	England Library Endowment Fund	Lily Schopp Endowment Fund	Ruth Chilman Endowment Fund	Totals	Trust & Agency Fund	Tax Collection Fund	Totals
ASSETS							
Cash and equivalents	\$ 116	\$ 6,660	\$ 1,553	\$ 8,329	\$ 2,358	\$ 669,026	\$ 671,384
Investments	-	-	-	-	-	-	-
Notes receivable	-	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-
TOTAL ASSETS	116	6,660	1,553	8,329	2,358	669,026	671,384
LIABILITIES							
Accounts payable	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	494	462,940	463,434
Due to other governmental units	-	-	-	-	1,864	206,086	207,950
Deferred revenues	-	-	-	-	-	-	-
TOTAL LIABILITIES	-	-	-	-	2,358	669,026	671,384
NET ASSETS							
Held in trust for individuals, organizations, and other governments	116	6,660	1,553	8,329			
TOTAL NET ASSETS	\$ 116	\$ 6,660	\$ 1,553	\$ 8,329			

City of Ishpeming, Michigan
Fiduciary Funds
Combining Statement of Changes in Fiduciary Net Assets
For the Year Ended December 31, 2005

Private-Purpose Trust Funds				
	England Library Endowment Fund	Lily Schopp Endowment Fund	Ruth Chilman Endowment Fund	Totals
ADDITIONS:				
Contributions:				
Gifts, bequests and endowments	\$ -	\$ -	\$ -	\$ -
Total Contributions	-	-	-	-
Investment Income:				
Net appreciation (depreciation) in fair value of investments	-	-	-	-
Interest and dividends	7	87	25	119
Net Investment Income (Loss)	7	87	25	119
TOTAL ADDITIONS	7	87	25	119
DEDUCTIONS:				
Payments in accordance with trust agreements	-	2,012	58	2,070
TOTAL DEDUCTIONS	-	2,012	58	2,070
CHANGE IN NET ASSETS	7	(1,925)	(33)	(1,951)
Net assets, beginning of year	109	8,585	1,586	10,280
NET ASSETS, END OF YEAR	\$ 116	\$ 6,660	\$ 1,553	\$ 8,329

COMPLIANCE SUPPLEMENTS



ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

JOHN W. BLEMBERG, CPA

ROBERT J. DOWNS, CPA, CVA

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MICHIGAN
ESCANABA
IRON MOUNTAIN
KINROSS
MARQUETTE

WISCONSIN
GREEN BAY
MILWAUKEE

**REPORT ON COMPLIANCE AND OTHER MATTERS AND ON INTERNAL
CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Honorable Mayor, Members of the City
Council and the City Manager of the
City of Ishpeming, Michigan 49849

We have audited the financial statements of the governmental activities, business-type activities, discretely presented component units, major funds, and remaining fund information, which collectively comprise the basic financial statements of the City of Ishpeming, Michigan as of and for the year ended December 31, 2005, and have issued our report thereon dated February 24, 2006. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Ishpeming, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item number 05-1.

Internal Control Over Financial Reporting

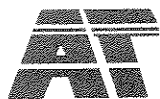
In planning and performing our audit, we considered the City of Ishpeming, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Honorable Mayor, Members of the City
Council and the City Manager of the
City of Ishpeming, Michigan 49849

This report is intended solely for the information and use of management, others within the organization, City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Andersen, Tackman & Company, PLLC
Certified Public Accountants

February 24, 2006



*City of Ishpeming, Michigan
Report to Management Letter
For the Year Ended December 31, 2005*

To the Honorable Mayor and Members of
The City Council
City of Ishpeming, Michigan
Ishpeming, MI 49849

In planning and performing our audit of the financial statements of the City of Ishpeming for the year ended December 31, 2005, we considered its internal accounting control structure for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure. The following comments are not reportable conditions as defined by the AICPA but are management points for which we feel consideration should also be given.

INSTANCES OF NON-COMPLIANCE

Uniform Budgeting and Accounting Act (P.A. 621)

The State of Michigan has enacted Public Act 621, the Uniform Budgeting and Accounting Act, to provide for a system of uniform procedures for the preparation and execution of budgets in local units of government. The purpose of P.A. 621 is to require that all local units of government adopt balanced budgets, to establish responsibilities and define the procedure for the preparation, adoption and maintenance of the budget, and to require certain information for the budget process, including data for capital construction projects. The major provisions of P.A. 621 are as follows:

1. Local Units of government must adopt a budget.
2. The budget, including accrued deficits and available unappropriated surpluses, must be balanced.
3. The budget must be amended when necessary.
4. Debt shall not be entered into unless the debt is permitted by law.
5. Expenditures shall not be incurred in excess of the amount appropriated.
6. Expenditures shall not be made unless authorized in the budget.
7. Violations of the act, disclosed in an audit of the financial records, in the absence of reasonable procedures shall be filed with the State Treasurer and reported to the Attorney General.

The City was found to be in violation of the legal and contractual provisions of Public Act 621 in certain individual funds as enumerated upon in Footnote S.

To the Honorable Mayor and Members of
the City Council
City of Ishpeming, Michigan

OTHER COMMENTS AND RECOMMENDATIONS

Ambulance Fund

We noted the accounts receivable balance and days revenue in accounts receivable still remain at high amounts for the Ambulance Fund. As the City has turned over the operations of the Ambulance System to a private vendor effective January 1, 2006, we understand no further revenues or accounts receivable will be generated after the 2005 fiscal year. Therefore, we recommend the City continue to monitor the collection of the older bills remaining on the City's ledger after the System transfer because as accounts become older they tend to be more difficult to pursue from a collection standpoint from both third-party payers and individuals.

Capital Assets under GASB No. 34

It has been determined that there are several works of art that have been donated to the City's Library in the past. We recommend the City place a value on these works to determine if they should be recorded as capital assets under the City's new capital asset policy.

GASB No. 45 Other Post employment Benefits

The Governmental Accounting Standards Board has recently released Statement No. 45, *Accounting and Reporting by Employers for Post employment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" post employment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the City's year ending December 31, 2009.

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This report is intended solely for the information and use of the City's management, and others within the City Administration.

We appreciate and would like to thank the City's staff for the cooperation and courtesy extended to us during our audit. We would be pleased to discuss any comments or answer any questions regarding our audit with you at your convenience.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

February 24, 2006

**CITY OF ISHPEMING, MICHIGAN
FEDERAL FINANCIAL ASSISTANCE
For the Year Ended December 31, 2005**

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**REPORT ON COMPLIANCE AND OTHER MATTERS AND ON INTERNAL
CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Honorable Mayor, Members of the City
Council and the City Manager of the
City of Ishpeming, Michigan 49849

We have audited the financial statements of the governmental activities, business-type activities, discretely presented component units, major funds, and remaining fund information, which collectively comprise the basic financial statements of the City of Ishpeming, Michigan as of and for the year ended December 31, 2005, and have issued our report thereon dated February 24, 2006. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Ishpeming, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item number 05-1.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Ishpeming, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of

Honorable Mayor, Members of the City
Council and the City Manager of the
City of Ishpeming, Michigan 49849

performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, others within the organization, City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Andersen, Tackman & Company, PLLC
Certified Public Accountants

February 24, 2006



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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Honorable Mayor, Members of the City
Council and the City Manager of the
City of Ishpeming, Michigan 49849

Compliance

We have audited the compliance of the City of Ishpeming, Michigan with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2005. The City of Ishpeming, Michigan's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Ishpeming, Michigan's management. Our responsibility is to express an opinion on the City of Ishpeming, Michigan's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Ishpeming, Michigan's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not

Honorable Mayor, Members of the City
Council and the City Manger of the
City of Ishpeming, Michigan 49849

provide a legal determination on the City of Ishpeming, Michigan's compliance with those requirements.

In our opinion, the City of Ishpeming, Michigan, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2005.

Internal Control Over Compliance

The management of the City of Ishpeming, Michigan is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Ishpeming, Michigan's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one ore more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of City of Ishpeming, Michigan, as of and for the year ended December 31, 2005, and have issued our report thereon dated February 24, 2006. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements of the City of Ishpeming, Michigan. Such information has been subjected to the auditing procedures applied in the examination of the financial

Honorable Mayor, Members of the City
Council and the City Manger of the
City of Ishpeming, Michigan 49849

statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of management, others within the organization, City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

February 24, 2006

City of Ishpeming, Michigan
Schedule of Expenditures of Federal Awards
For the year ended December 31, 2005

Federal Grantor/Pass Through Grantor Program Title	Federal C.F.D.A. Number	Project Number	Award Amount	Federal Expenditures
U.S. Department of Housing & Urban Development:				
Passed through the Michigan Economic Development Corporation:				
Community Development Block Grant - Bell Forest Products Infrastructure Project	14.228	MSC 203060-EDIG	200,000	\$ 200,000
Total U.S. Department of Housing & Urban Development				200,000
U.S. Department of Agriculture:				
Direct Award:				
Community Facilities Loan - Fire Truck Purchase	*	N/A	280,000	280,000
Community Facilities Grant - Fire Truck Purchase	*	N/A	40,000	37,700
Total U.S. Department of Agriculture				317,700
U.S. Department of Justice:				
Direct Award:				
Bulletproof Vest Partnership Program	16.607	N/A	6,267	2,845
Total U.S. Department of Justice				2,845
TOTAL FEDERAL FINANCIAL ASSISTANCE				\$ 520,545

* Denotes a major program

CITY OF ISHPERING, MICHIGAN
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2005

NOTE A - BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Ishpeming, Michigan and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B - OVERSIGHT AGENCY:

The U.S. Department of Agriculture is the current year's oversight agency for the single audit as determined by the agency providing the largest share of the City's federal financial assistance.

CITY OF ISHPEMING, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2005

Section I - Summary of Auditors' Results

Financial Statements

- Type of auditors' report issued: Unqualified
- Internal control over financial reporting:
 - No material weaknesses were identified.
 - No reportable conditions not considered to be material weaknesses were identified
- Noncompliance items material to the financial statements were identified (refer to Section II).

Federal Awards

- Internal Control over major programs:
 - No material weaknesses were identified.
 - No reportable conditions not considered to be material weaknesses were identified.
- Type of auditors' report issued on compliance for major programs: Unqualified.
- Audit findings that are required to be reported in accordance with Circular A-133, Section .510(a): None.

Major Programs

- CFDA # 10.766, Community Facilities Loan and Community Facilities Grant – Fire Truck Purchase
- Dollar threshold used to distinguish between Type A and Type B programs: \$300,000.
- Auditee qualified as low-risk auditee? No.

Section II - Financial Statement Findings

- The following noncompliance item was noted:

05-1 Condition: The City was found to be in violation of the legal and contractual provisions of Public Act 621 whereby excesses of expenditures over appropriations existed in certain individual funds as enumerated in Footnote T of the financial statements.

Criteria: Internal controls should be in place to ensure expenditures do not exceed appropriations.

Effect: When expenditures exceed appropriations, the City is in violation of Public Act 621 and there is a potential negative impact on the financial position.

CITY OF ISHPEMING, MICHIGAN
SCHEDULE FINDINGS AND QUESTIONED COSTS (Continued)
For the Year Ended December 31, 2005

Recommendation: The City should monitor expenditures throughout the fiscal year to ensure expenditures do not exceed appropriations.

Management Response: Management concurs.

Section III - Federal Award Findings and Questioned Costs

- There were no findings and/or questioned costs identified.

CITY OF ISHPEMING, MICHIGAN
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2005

There were no prior year findings or questioned costs relating to
the City's major programs.